

an advance of three-fifths of the estimated value of a freehold property, or one-half of the value of a leasehold interest, that the following circular memorandum has been printed for the information of applicants generally:—

“Memorandum for the information of Applicants for Advances under ‘The Government Advances to Settlers Act, 1894.’

“No applicant for an advance should expect to be informed of the reasons for any resolution of the General Board respecting the application. These reasons include every circumstance ascertained by the Board respecting both the property and the applicant, and are, of course, not even recorded. To communicate them, therefore, especially in the case of a resolution to decline to grant an advance, either wholly or in part, might occasion much idle dispute, or be more seriously objectionable. The Lending Boards of commercial and of other Government institutions do not disclose the reasons for declining to grant applications for loans.

“It is also unreasonable for the applicant to expect that the report of the Valuer on the property offered as security for the advance, or any particulars of the report, can be made known. The Valuer’s report is a confidential communication to the Superintendent, which may contain remarks not only respecting the management, treatment, and condition of the land, but respecting the prospects and financial position and general character of the applicant. Such remarks must clearly affect the security, and are obviously confidential.

“Then, too, there is misapprehension respecting the provision of the Act that an advance may be authorised of three-fifths of the value of a freehold security, or one-half of the value of the security of a leasehold interest. This provision is a restriction on the General Board, without whose resolution no advance can be granted, and does not entitle an applicant to the Board’s resolution to grant an advance either up to or within the limit of that restriction. The resolution of the Board is regulated, of course, by the amount which a sale of the property by auction may be estimated to realise, but is also regulated by the risk of any loss from an advance on the property. Every advance must, in the judgment of the Board, consist with the public safety.”

It may be profitable to give a few examples of the impracticability of fixing absolutely the proportion which should be advanced of the estimated realisable value of every property. Freehold rural land, which may be worth no more than £1 an acre, but which may be capable of but little profitable improvement, would not, for loan or mortgage of half the estimated realisable value, be so good a security as land worth five times as much per acre would form for a loan of three-fifths of the estimated value. And the reason is plain. Agricultural land of a high quality, which is capable of being profitably used for any of the purposes of a farmer—that is to say, first-class agricultural land—must be in more continual demand, and therefore more realisable in any unfavourable contingency of the market for real estate than land which may be naturally infertile and of few resources.

Again, two properties consisting of land of the same area and quality, and of the same estimated realisable value at the time of inspection, may, owing to circumstances, differ widely in merit as a security for an advance on mortgage. One property may be a farm which, in the course of a few years, may, by neglect, mismanagement, and incapacity, have fallen in value from, let us suppose, £1,500 to £1,000, and may, from the same causes, be expected to still deteriorate in value, while the other property may also be a farm which, by careful and capable management during the same period, may have risen in value from £500 to £1,000, and may, from the same causes, be expected to continue to rise in value. It will be evident that the deteriorating property could not be accepted as a security for so large an advance as that which might be made on the security of the property rising in value; and that though, in such a case, the two properties may be of the same realisable value at the moment of an application for a loan, the property which is improving would form a more desirable mortgage security than the property which is deteriorating. The two properties could not be estimated as equally good securities for the investment of money on mortgage.

Another case may be that of a farm which depends for a high realisable value on a speculative confidence in the permanency of the present prosperity of an industry. Land which would fetch as a dairy-farm a high price while the dairy industry is prosperous, would, in all probability, bring less if that industry should, from falling prices, have a struggle for existence; and prudence would seem to require that in lending money on mortgage such a contingency should be taken into account.

Of the delays by which the patience of a large number of applicants has been tried, there has been the delay inseparable from the care and circumspection with which every step ought to be taken in the early stages of the administration of a measure authorising so important a provision as money, for which the colony is responsible, to be advanced consistently with the public safety, to the settlers of the colony, who, in the lands which they possess, can offer satisfactory security. The Act may almost be said to be the farthest step forward in the direction which legislation of its own character has yet proceeded, and the course which the administration might take was consequently without the guide of former experience, and required to be carefully surveyed before any satisfactory progress could be made. It was better that progress should, at the beginning, be slow than that the course taken for the purposes of the administration should have eventually to be abandoned with the risk of bringing to the Act itself the condemnation of a bad arrangement for giving effect to its provisions. Whatever may have been the other faults than delay, the delay was, I believe, necessary to secure future efficiency and expedition.

The applications came in very fast during the first three months after the form of application according to the regulations was placed at the disposal of the public. The offices of Commissioners of Crown Lands for some provincial districts found themselves severely taxed by the number of notices which were received at their offices of applications for advances on Crown leaseholds,