

It is perhaps not out of place to offer some observations in regard to the immediately preceding table, which has been included in this report in order to show the progress of the Corporation.

In 1935 the Mortgage Corporation (as it then was) inherited the mortgage business of the State Advances Office as shown in the table above. It can be said that, in the main, these mortgage assets were mortgages which had been current for varying periods of years. In very many cases the mortgagors had built up substantial equities in their properties, instalments were payable half-yearly, and, in the majority of cases, the administration of the mortgages did not create any particular difficulties. There were, however, some exceptions, particularly in relation to properties which had reverted to the State Advances Office during the depression years, and also some mortgage accounts where the mortgagors had not built up an equity and were still suffering from the results of the depression. In those cases instalments were collected monthly, and, for the purpose of facilitating collection, the State Advances Office had opened what were then called branch offices (really a misnomer) in Auckland, Wellington, and Christchurch. That was the full extent of the local representation of the State Advances Office.

In 1936 and 1937 the State Advances Corporation also inherited further mortgages from the Lands and Survey Department. Again these assets were in relation to loans which had been granted immediately following World War I, and mortgagors had in the majority of cases built up substantial equities in the intervening years. Many of these accounts were on a half-yearly basis, and administration was not difficult.

The table which is the subject of these comments shows the progress of the Corporation year by year. It will be noted that mortgage assets showed a rising tendency up to 1939 resulting from the activities of the Corporation itself in the lending field. On the commencement of World War II the Board of Management, anticipating that there would be a post-war demand for rehabilitation finance, adopted the policy of conserving its funds to meet that post-war demand. Principal repayments by mortgagors brought about fairly substantial reductions in the total of the mortgage assets up to and including the year ended 31st of March, 1945. From then onwards mortgages have increased in number and amount; but it is important here to record that, whereas the initial investment portfolio of the Corporation when it commenced to function comprised in the main mortgage accounts which were on a half-yearly repayment basis, the impact of rehabilitation lending has changed very substantially the nature of the investments held. The Corporation, in implementing the rehabilitation policy of the Government, has granted loans up to 100 per cent. of the value of the securities offered. It has adopted the policy of requiring monthly payments in respect of such loans, so the Corporation now has a substantial number of accounts on a monthly payment basis, all of which means very much more work, especially from an accounting angle. In addition to that, the same change in the investment portfolio has meant that a large proportion of "good" accounts has been repaid; and in place of those "good" accounts the Corporation now has large numbers of accounts where there is little or no equity for the mortgagor, and where administration problems are consequently more acute.

It will also be noted that the Corporation has, in addition to its normal business of lending on the security of land, made large numbers of rehabilitation loans (almost 34,000) on furniture, businesses, and tools of trade. Here again repayment is, in the main, on a monthly basis, involving pressure of accounting work and administration problems not met with in a conservative lending institution.

On top of all this the Corporation has been called upon to administer State rental houses built under the scheme introduced in 1936. The number of such houses has shown a progressive increase over the years, until at the 31st of March, 1949, over 30,000