

for investment in local-body debentures at the rates quoted above the field for the investment of moneys on real property—particularly on broad acres—has been left largely to the Public Trust Office and similar large investing institutions, with the result that the Office has been able to obtain investments in town and country properties of all classes with excellent margins of value and returning from $\frac{3}{4}$ to $\frac{7}{8}$ per cent. more than investments in local-body debentures.

Under these circumstances, although a portion of the available funds from the Office have been invested in debentures of various classes in accordance with the best investing practice, under which a certain portion of investments are held in a form permitting of ready realization if this course becomes necessary, by far the greater part of the Office funds has been invested in mortgage securities in town and country. The existence of the Dominion-wide organization of the Office has been a valuable factor in securing a satisfactory flow of eligible and desirable securities, and by far the greater part of the applications received have reached the Public Trustee through the medium of the Branch offices of the Department. At the same time, a certain number of the applications have been submitted by solicitors of standing throughout the Dominion, and in such cases it is the general practice of the Public Trustee (in the absence of any special reason to the contrary) to entrust the preparation of the mortgage documents to the solicitors introducing the loans.

139. Early in the New Year the position outlined above underwent a rapid and complete change, and the demand for first-mortgage money at reasonable rates of interest rapidly increased and showed a marked tendency to outrun the supply. The stringency is attributable to a number of factors, the cumulative effect of which has been considerable. Financial crises in the United States of America and a series of occurrences in London, together with the acute financial position in the neighbouring Commonwealth of Australia, have all had important repercussions on the financial position in this Dominion, which have been accentuated by the low prices obtainable for the Dominion's chief primary products in the past season. The raising of the overdraft rates by the associated banks operating in New Zealand was a significant indication to borrowers of all classes, of the changed condition of affairs. The position was soon reflected in the greatly increased demands made upon the Office funds, not only by way of new applications for loans, but also by way of applications for the increase of existing loans in cases where the security offered the necessary margin of value. A noticeable factor in these applications was the tendency on the part of farmers, business men, and others to replace their "on demand" liabilities to the banks and other financial institutions with long-term loans secured by mortgages of their land. Thus during the latter portion of the year under review no difficulty has been experienced in obtaining securities of an excellent class more than sufficient to absorb the whole of the available funds, and as a result the funds have been kept closely invested throughout the year. As the investments form the financial life-blood of the Office, and as upon their success depends the welfare and happiness of a large number of clients and beneficiaries, many of whom are not in affluent circumstances, the result of the year's working has been gratifying. At the same time the interests of the borrowers have been borne in mind, and the reasonable rate at which the moneys have been advanced and the very satisfactory terms on which loans have been arranged with the Office have served to make it widely and favourably known as one of the principal sources of financial assistance.

LOANS ON COUNTRY PROPERTIES.

140. In view of the substantial and somewhat protracted fall in the prices of practically all the primary products of the Dominion, it has been necessary to exercise a high standard of care in the granting of loans, and as the effect of the fall in prices on the value of farming-lands has not yet been fully determined it has been thought desirable to lean to the side of caution and in some cases to advance somewhat less than the full margin authorized by law.

Reference has been made in previous reports to the increasing tendency on the part of private investors and trustees to retire from the field of mortgage investments, particularly those on farm lands, leaving this type of investment largely to the various substantial lending institutions who possess the organization necessary to select such securities and to supervise and guard the investments when made. The granting of long-term mortgages on an instalment or amortization basis, which is meeting with increasing favour on the part of farmer borrowers,