

It is not proposed to express any decided comment as to the eventual outcome, but substantial adjustments are possible under careful management with the aid of some recovery in prices supported by the manner of the lending—viz., repayment tables. It will be observed that seventy-five rental cases are included in the classification of mortgagors up to date. In these instances the arrears have been overtaken by the rental revenue, but legal and other difficulties require their continuance under the existing arrangements.

13. Under section 41 of the State Advances Act, 1913, the mortgagor is entitled to a rebate on his half-yearly instalment provided the instalment is paid within fourteen days of the due date. At yearly intervals the proportion of mortgagors that have earned their rebate has been recorded in the Department and carried forward in the annual reports to Parliament. The comparison of these percentages on the assumption that the average amount owing by the mortgagors who earned their rebate was approximately equal to the average amount owing by those who did not earn their rebate, afforded some indication of the securities that may be termed reasonably good. It is true that the inference is more referable to the capacity of the mortgagors to pay their annual instalments but regarded from the point of view of a long-term mortgage the capacity to meet annual instalments is a fair index of a good security, always providing care was exercised in the original lending. The basis on which the question of rebate was decided has, however, been altered in recent years, and these percentages consequently can no longer be used for the same purpose. Until the postponement of the capital portion of an instalment could be given effect to all instalments on which rebate was earned comprised interest and principal. Under present conditions rebate may be earned on the current interest payment only where the capital portion has been postponed either by the order of the Court or by a prior arrangement with this Office. Again a rebate could not be earned if any arrears were outstanding in respect of prior instalments. Section 20 of the Finance Act, 1932, gave power for the earning of rebate provided the amount paid within the rebate period amounted to the prescribed instalment for that particular period, notwithstanding any existing arrears. Section 19 of the Finance Act gave power for capitalization of the arrears of interest and thus a further factor operates to affect any comparison with the rebate performances prior to 1932. Subject to the above comment the rebate figures are supplied in the three main branches of Settlers, Rural Advances, and Workers, and for information purposes the percentages earned in earlier years back to 1930 are now presented :—

Branch.	1930.	1931.	1932.	1933.	1934.	1935.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Settlers	84	77	66	64	73	73
Rural advances ..	91	75	46	41	66	64
Workers	80	78	62	61	63	66

14. *Interest due during the Year.*—The interest due by the mortgage securities—i.e., excluding local authorities—in the Office for the financial year just ended, as compared with the interest due for the preceding financial year and the cash receipts in the both years are as follows :—

	Interest due.	Net interest received.	Shortage.
	£	£	£
1933-34	1,966,127	1,562,707	403,420
1934-35	1,913,611	1,711,446	202,165

The receipts of interest as shown in any year are not entirely referable to the interest due in that particular year, but may include payments on account of arrears of interest accrued in previous years.