

15. *The Arrears Position.*—A consideration of the position of the annual increase in the arrears of interest and principal payable in respect of instalments that have become due in that time, is possible from the undermentioned table. The figures include any arrears from local-body debenture investments under Part III of the Local Bodies' Loans Act, 1926. The figures are taken in quarterly intervals and show the yearly movements for the years 1932–35 inclusive :—

Quarters ending.	Quarterly periods.			
	Year ending 31st March, 1932.	Year ending 31st March, 1933.	Year ending 31st March, 1934.	Year ending 31st March, 1935.
	£	£	£	£
30th June .. ..	163,023	163,123	158,773	58,118
30th September .. ..	185,689	165,169	179,288	56,832
31st December .. ..	136,411	119,295	125,709	73,997
31st March .. ..	157,061	111,623	44,362	18,724
Yearly totals ..	642,184	559,210	508,132	207,671

It should be pointed out that since 1932 a postponement of principal (where made) has not been included in the arrears position unless the postponement arises after due date—*i.e.*, through a Court order. Furthermore, arrears have been cleared in the Department's books in some cases by way of capitalization since the Finance Act, 1932, was passed. The capitalization would not be agreed to unless it appeared, on the information available, that there was a security to represent the total debt. The peak year of arrears so far as this Office is concerned was in 1931–32. The following financial year disclosed a substantial decline, and the downward trend was further confirmed in the year ended 31st March, 1934. For the year ended 31st March, 1935, the position has shown a decided improvement, and in it lies the encouragement for the future.

16. A further analysis of the arrears figures for the past three years has been made, excluding from the totals the arrears in the Local Authorities Branch. The amounts have been brought down to *average* monthly totals. The position shown is as follows :—

	1932–33.	1933–34.	1934–35.
Settlers .. ..	23,040	17,462	2,978
Rural advances .. ..	8,076	5,075	—236
Workers .. ..	16,727	19,534	15,100

The Settlers Branch includes residential and farming securities; the Rural Advances Branch, as the name implies, only rural lands. It would seem that there is some evidence of a time-lag in the recovery of the position of the mortgagors in the Workers Branch. It should not, however, be overlooked that the margins of lending in the above three branches were unequal. In the Settlers Branch the statutory limit of any advance was 75 per cent. of the capital value, in the Rural Advances 66 $\frac{2}{3}$  per cent. of the capital value, and in the Workers 95 per cent. of the cost. Prior to the amending statute of 1923, the limit in the Workers Branch was 75 per cent. of the capital value.

17. *Graphs (Form No. 1).*—The movement of the arrears is illustrated in the graphs on Form 1 of the Schedule.

Graph A shows the volume of the lending and the decline in the amount of principal outstanding due to repayments exceeding the new loans. The period covered is March, 1929, to March, 1935.

Graph B shows the growth of arrears over the same period.

Graph C shows the same information, but the plottings have been made on the percentage of arrears to principal outstanding at intervals over the same period.