

4. The Board has consistently met changing conditions by appropriate modifications of policy, and although, as might be expected, the Board and associations do not completely agree as to the measure of delegation which should be authorized, it is believed that the associations have generally appreciated the changes which have been effected and are strong advocates of financing through the Rural Intermediate Credit system.

5. The rate of interest charged to borrowers when the system was first introduced was $6\frac{1}{2}$ per cent. per annum. This rate was reduced to 6 per cent. as from the 1st May, 1933, whilst in August, 1934, the Board decided that, although a substantial sacrifice would result, the rate should be further reduced to 5 per cent. per annum from the 1st September, 1934. The reduction in each case applied to existing as well as to future loans and was made in respect of all classes of the Board's business. In continuation of the Board's usual practice associations have been allowed a margin of $\frac{1}{2}$ per cent. from which to meet working-expenses and create a reserve. It is considered that the rate of 5 per cent. is a very favourable one for borrowers who obtain loans on the classes of security acceptable to the Board, especially when it is borne in mind that interest is payable on the daily balances in the accounts, and ceases automatically on amounts repaid from time to time.

6. On the 1st April, 1935, there came into force the Mortgage Corporation of New Zealand Act, 1934-35, Part VI of which provides that on a date to be fixed by the Governor-General by Order in Council the members of the Rural Intermediate Credit Board shall go out of office, and thereafter the persons who for the time being are members of the Board of Management of the Corporation shall constitute the Rural Intermediate Credit Board. From the day on which the Board of Management becomes the Rural Intermediate Credit Board the powers conferred by the Rural Intermediate Credit Act, 1927, on the Commissioner of Rural Intermediate Credit may be exercised by either or both of the Managing Directors of the Corporation, and the Rural Intermediate Credit Act, 1927, shall be deemed to be amended in certain respects. All except two of the amendments are machinery amendments which will be rendered necessary by the alteration in control when it takes effect. The two exceptions, which relate to the granting of loans direct to farmers without the intervention of associations, are—

(a) The repeal of section 63, which provides that—

“No person shall be entitled to receive under the provisions of this Part of this Act any loan or loans so that the aggregate amount for the time being outstanding in respect thereof, together with the amount of any loan or loans outstanding under Part II hereof, shall exceed two thousand pounds.”

The effect will be that there will be no limit on the amount which may be lent to a borrower who obtains a loan direct from the Board. A loan granted through an association is limited to a maximum of £2,000.

(b) The repeal of subsection 2 of section 64, which provides that—

“In addition to the security required by the last preceding subsection every loan granted under this Part of this Act shall be collaterally secured by an instrument of guarantee, signed by one or more sureties approved by the district board, whereby such sureties undertake to answer for the default of the borrower in respect of the repayment of the loan or in respect of the payment of interest thereon, to such extent as may be therein specified, being not less in any case than twenty per centum of the amount of the loan originally granted. Any company may, notwithstanding anything to the contrary in its memorandum or articles of association, guarantee the repayment of any loan granted under this Part of this Act or the payment of interest on any such loan.”

The effect will be that a loan may be granted to a farmer without the necessity of obtaining a guarantee or applying through an association.

There appears to be no likelihood of an early transfer of control of the Rural Intermediate Credit system to the Corporation, and the ultimate date of the transfer cannot be indicated. In the meantime the administration is being continued on the usual lines.