

12. *Transfer of Rural Intermediate Credit Securities.*—Provision was made in section 40 of the State Advances Corporation Act, 1934–35, for the members of the Board of Management of the Corporation, on a date to be fixed by the Governor-General in Council, to constitute the Rural Intermediate Credit Board, and for the members of that Board which was established under the Rural Intermediate Credit Act, 1927, to vacate office on that date. An Order in Council was issued on 5th March, 1937, fixing the date for the change-over at 1st July, 1937, and arrangements are in hand for the transfer of rural intermediate credit work to the Corporation on that date.

13. *Adjustment of Mortgages under Section 39 of the State Advances Corporation Act, 1934–35.*—The adjustment of mortgages transferred from the State Advances Office has been substantially completed during the year under review. The Act provided that mortgagors under any mortgage of land transferred to the Corporation should have the right at any time within three years after the transfer to require a variation of the provisions and the reduction in the interest-rate to the rate charged by the Corporation, a condition of this adjustment being that the capital secured by the mortgages should be increased by 2 per cent. thereof, such increase to be credited to the General Reserve Fund.

The principles adopted were explained in last year's report, but it might be repeated here that with a view to expediting the completion of the work statements showing the effect of the adjustment were sent to each mortgagor. This in itself was a task of no small magnitude, but at the close of the year some 46,881 offers of adjustment had been despatched to mortgagors whose mortgages were transferred from the State Advances Office. Not all of these offers were accepted, the actual number of acceptances being 21,804, or 46·51 per cent. Where the existing net interest-rate was $4\frac{1}{2}$ per cent., and where the unexpired term was relatively short, mortgagors as a general rule did not take advantage of the adjustments offered, while the passing of the Mortgagors and Lessees Rehabilitation Act also affected the number of acceptances.

Discharged soldiers settlement mortgagors whose accounts have been transferred from the Lands Department also have the right to a similar adjustment. The same procedure is being followed, and at the 31st March offers had actually been sent to 1,642 mortgagors, of whom 659 had signified their intention to accept the adjustments proposed. The aim is to complete the adjustment of all mortgage accounts in terms of the legislation at the earliest possible date, and it is pleasing to record that such substantial progress has been made in a relatively short period of time.

The Board hopes that the concession granted to mortgagors in the process of adjustment—i.e., the reduction in the rate of interest to the lending-rate of the Corporation and the extension of the unexpired terms of mortgages with a view to lessening the amount of the instalments for the future—will assist mortgagors to meet their obligations.

It may be said that the right of adjustment involving the reduction in interest-rates on existing mortgages is an integral part of the plan for the reduction in interest on long-term mortgages, and in endeavouring to expedite these adjustments by forwarding full statements to the mortgagors concerned—which there was no obligation on the Corporation to do—the Board has done all that lies in its power to give effect to the policy enunciated in the legislation.

14. *Mortgagors and Lessees Rehabilitation Act, 1936.*—This Act in effect provides for a final adjustment of mortgages on both rural and urban land, and is much wider in scope than the previous legislation.

The following table in district form will indicate the extent of the problem as affecting each of our branch districts:—

Applications under Mortgagors and Lessees Rehabilitation Act, 1936.

	Auckland.	Hawke's Bay, Gisborne.	Taranaki.	Wellington.	Nelson, Marl- borough, and Westland.	Canterbury.	Otago.	Southland.	Grand Total.
Farm applications ..	1,763	591	646	908	487	872	317	443	6,027
Home applications ..	1,718	307	145	1,307	88	567	62	80	4,274
Total ..	3,481	898	791	2,215	575	1,439	379	523	10,301