operating under the Mortgagors and Lessees Rehabilitation Act, 1936, and we feel that, apart from the protection of the funds invested by this Corporation and other lending institutions, the result of such a policy must in due course have a beneficial effect, although stability in productive cost is a desirable objective.

Residential property also requires consideration from angles other than cost and sale price, and particularly does long-term lending necessitate proper regard to the estimated net rental return to be obtained from the property over the period of the loan.

In another portion on this report reference in made to the comparative position of terms of lending and rates of interest operating in New Zealand and Australia, and a recent publication received from Canada dealing with the operation of the Housing Act in that Dominion supplies some information which is also useful for comparative purposes. It is indicated therein that loans of 70 per cent. to 80 per cent. of the appraised value of the security may be made under the Dominion Housing Act and, to quote an extract from the statement, the following conditions apply:—

"In addition to the requirements that the borrower must be able to advance at least one-fifth of the total cost, the granting of loans will also depend upon—

"(1) The borrower's ability to repay the loan.

"(2) The reputation of the borrower.

"(3) The cost or appraisal value of the proposed property."

The Canadian authorities' requirements in regard to location of security and plans and specifications appear to be very similar to those which are applied to home-building loans granted by this Corporation, and the Federal Housing Administration systems of loan guarantees in U.S.A. are largely governed by these principles.

Overseas Lending Institutions

During the past financial year the Chairman of this Board paid a visit to Australia and had the opportunity of conferring with representatives of lending institutions in the States of Queensland, New South Wales, Victoria, and South Australia, and these contacts enabled an exchange of views on various important features of this type of business. Having regard to the comparative size of the States mentioned and New Zealand, the progress that has been made in this country in the sphere of State lending, particularly that section which deals with housing finance, may be considered equal to if not greater than that of any of the Australian States. In Australia rural advances are made largely through commercial and State banking institutions. A comparison of the rates of interest and the terms of lending operating in the Australian States and New Zealand shows that in this country borrowers have in recent years been offered more favourable terms than those available in Australia. We desire to place on record our appreciation of the facilities offered by Government officials and representatives of other lending institutions in Australia, which enabled the Corporation's Chairman to have the opportunity of investigating local conditions and making comparisons with our own system.

Treatment of Timber as a Protection against Deterioration and Timber Pests.

The Corporation, as one of the principal lenders on securities consisting to a large extent of house property, is greatly concerned in regard to the type of material that is being used in the erection of such buildings. In collaboration with the Department of Scientific and Industrial Research and other interested Departments, the Corporation has during recent years carried out a considerable amount of research in regard to the methods adopted in other countries for the preservation of building timbers, and there have been attached to the Corporation's staff certain experts who have been employed in investigation work in regard to this problem. In Australia, pretreatment of timbers to be used in house construction is a common practice, and for soil-dwelling termites metal capping of foundations is widely adopted. The data on this subject collected by the Chairman in Australia has confirmed the views of the Corporation that ventilation of foundations and timber preservation are vital factors in safeguarding wooden buildings. During the year arrangements were made for an Australian scientist to visit New Zealand and