be seen that the total mortgage indebtedness amounts to practically one-half the whole of the value of the land in the Dominion.

Repayment of Loans by Instalments.

70. Reference was made in last year's report to the wider adoption of the system of granting loans on the amortization principle, by which repayments of principal are made by instalments, together with the interest. The system has for many years past been applied to loans granted for the erection of houses, but within the last few years there has been a considerable extension of the principle to rural securities.

The figures for the year just closed show that the total loans advanced from the Common Fund to borrowers amounted to £1,247,756. Of this total the sum of £818,410 was advanced by way of instalment mortgages, whilst the sum of £429,346 was advanced on flat mortgage, the majority of cases being for a period of five years.

The Public Trustee advances money on instalment mortgages under tables ranging from ten years to thirty years. Loans for the erection or acquisition of house properties are usually made on a twenty-year table, unless the house is constructed of permanent materials, such as brick or concrete, in which case a twenty-five-year table is allowed. The favourite table with the farming community is the twenty-five-year table, though in special cases the Public Trust Office Investment Board is prepared to grant a loan on a thirty-year table. In such cases the sinking fund required for the redemption of the loan is the small one of £1 4s. 6d. per cent. per annum.

There are, of course, certain cases in which the instalment system is not acceptable to borrowers, especially where their income is limited and it is necessary to expend considerable amounts in developing and improving the property. In such cases it is difficult to find the requisite additional amount to provide the instalments for the redemption of the principal, and the Public Trustee is then prepared to consider the granting of a loan on a flat mortgage. But where the borrower's financial position is not straitened and the requisite amounts can be found for the redemption of the principal the instalment system, providing as it does for the automatic extinction of the loan during its currency, is an excellent one in every way. It gives the borrower assured finance for an extended period, and obviates the constant expense and anxiety of effecting frequent renewals of the mortgage. The system is also of great benefit to the lender in that by the regular payment of the instalments in reduction of principal the margin of security in the property is being constantly increased. Moreover, the equity of the borrower is also increasing, and the system acts as a form of compulsory saving. Had the system been adopted generally in respect of farming properties years ago, the financial position of many farmers would be better than it is at the present time. Many members of the farming community are coming to realize these benefits, and are expressing themselves strongly in favour of the instalment system.

It is, of course, essential that if loans are to be granted on long-term periods there should be an adequate system of inspection of the securities throughout the period of the loan. This presents a difficulty to private investors, and, indeed, to small lending institutions, and makes these classes of lenders reluctant to grant loans for long terms. On the other hand, the Public Trust Office has a complete organization throughout the country, and has trained officers attached to its staff who are well acquainted with farming problems in all their aspects, so that an adequate and effective system of inspection can be maintained. Generally speaking, all mortgages to secure loans on the instalment system now provide that regular inspections of the security shall be made at the mortgagor's expense, the usual term being five years, though in special cases the frequency of the inspections may be increased. By this means the Office will keep in close touch with all properties mortgaged to it and will see that they are maintained in proper condition, and this will provide an additional factor of safety of the investment of trust funds by the Public Trustee on behalf of clients and beneficiaries of the Office.

Advances to Local Authorities.

71. The demand for funds on the part of local authorities during the past year to enable works of public utility to be carried out has shown a slight decrease, two causes having contributed to this result. In the first place, there has been a