Public Trustee has been compelled to pay close regard to the condition of his securities, with the result that a most efficient system of supervision and oversight has been instituted. The Office is fortunate in having an extensive organization reaching into every district in the Dominion, and the local officers of the Department are in a position to maintain contact with securities in all parts and to see that the interests of the Public Trustee as mortgagee are fully protected. The need of supervision is also more emphasized by the increasing adoption of the long-term mortgage system, under which periodical revaluations of the properties are dispensed with. To meet this need a complete system has been instituted under which every mortgage will come up for consideration at regular intervals—usually at the end of every five years—and the necessary steps will then be taken to see that the security is in good order and condition. In the case of securities situated in the main centres of population the inspection will be carried out either by the district officers of the Department or by the Property Inspectors attached to their staffs; in the case of country securities, the services of the Farm Inspectors of the Office will be largely availed of.

Another result of the changed conditions in the farming industry has been the greater importance attached by lenders in recent years to the personal capabilities and worth of the borrower. This factor is becoming almost as important as the location and quality of the land which is offered as security, since more and more the success of farming operations is coming to depend on the energy, initiative, and capability of those engaged in the industry. Under the stress of competition in the markets of the Old World, particularly in England, obsolete and inefficient methods of farming can lead only to financial loss, and it is increasingly necessary for all mortgagees to ensure that adequate covenants are included in their mortgages to ensure as far as possible the efficient working and management of the mortgaged property. During the year just closed careful consideration has been given to this aspect of the investment work, and more complete and stringent covenants have been embodied in the mortgage-deeds to secure the adequate farming of the securities. In view also of the increased importance of the personal covenant of the mortgagor, it has been found desirable to insert a covenant in the mortgage-deeds to the effect that sales of the property shall not be effected without the consent of the mortgagee, and that upon the sale being completed the covenant of the incoming purchaser shall be obtained. The experience in recent years has shown that, while a property may be successfully farmed by one holder, a successor who is less capable may fail completely and leave the mortgagee with a deteriorated security.

One special feature in connection with the application of improved farming methods has been the more extensive use of fertilizers, especially on properties which are used for dairying. It is now becoming widely recognized that in order to maintain the productivity of such properties at a high level regular and systematic top-dressing of pastures is essential, and accordingly when valuations of country properties are obtained the valuers are requested to state in each case whether top-dressing of the pastures is required; and, if so, what proportion of the property should be treated each year, and with what quantities of manure. Any loan granted is then made subject to this provision, and a corresponding covenant is inserted in the mortgage-deed. Generally speaking, those farmers who approach the Public Trustee for loans are the first to recognize the necessity and advisability of such a course, and readily agree to the insertion of such a provision in the mortgage-deeds. The Public Trustee thus helps to maintain the standard of farming in the Dominion by insisting on the insertion of adequate covenants in all mortgages given to him to secure loans from the Common Fund. Reference has already been made to the utilization of the services of the Farm Inspectors in connection with the inspection of the mortgage securities. These officers are fully acquainted with all phases of farming activity, and their practical training and experience, together with the wide knowledge of farming conditions gained as a result of their contact with the Public Trust Office work, renders them most suitable to give valuable advice to farmer mortgagors of the Office.

A very complete and careful system has been instituted to maintain constant touch with any securities which show signs of becoming unfavourable. In such