of such large sums in the hands of the Public Trustee is in some way dangerous to the true interests of the community, but even a cursory examination of the manner in which the funds are invested will go to show that these funds are used strictly for the benefit of all classes in the community, and that the use made of the moneys by the Public Trustee is at least as fruitful for the benefit of the Dominion as a whole as if the funds were controlled by individual investors and trustees. The system is also of great benefit to those whose funds are invested, in that the Public Trustee obtains the current market rate of interest, and this, after the deduction of the necessary amount to cover the cost of working and the provision of adequate reserves, is made available to the estates and beneficiaries from whom the funds are derived.

Loans on Instalment System.

96. A feature which has added greatly to the popularity of the Public Trust Office as a lender is the wide application of the instalment, or "amortization," system to all classes of loans granted by the Public Trustee from the Common Fund. Under this system, which is being increasingly availed of by all types of borrowers, the principal sum is liquidated over a term of years by instalments which are paid with the interest on interest-due dates. A fixed, unvarying instalment, comprising both principal and interest, is paid half-yearly throughout the currency of the mortgage, an apportionment being made as between interest and principal in each instalment paid. As the term of the loan proceeds, the portion of each instalment taken for interest progressively diminishes and that available for the repayment of principal sum correspondingly increases. The net result is that interest is paid by the borrower only on that portion of the principal sum which is from time to time outstanding, whilst at the expiration of the term the amount originally borrowed is completely repaid. A full statement of the advantages of the system from the point of view both of the borrower and of the lender was contained in a previous year's report, but on the present occasion it may be said briefly that the borrower avoids the cost and anxiety of frequent renewals, as in the case of the short-term mortgage, and is afforded assured finance for a long term of years at a minimum of expense. Apart from the initial cost of valuation and the preparation of the mortgage documents, the only expense to which the borrower is subjected during the term of the mortgage is the moderate charge made for the periodical inspection of the security by the Farm Inspectors or Property Inspectors of the Public Trust Office.

It is interesting to record that new loans granted and paid out under the instalment system for the year amounted to £924,103, whilst renewals on the instalment system of existing mortgages hitherto held under the short-term system amounted to £434,655, making the considerable total of £1,358,758 for either new loans or renewals of existing loans under the instalment system. Some of these loans were, of course, secured on city properties, but a feature of the year's operations has been the extent to which the system is now being adopted by rural borrowers, to their own substantial advantage. The system is also of benefit to the Public Trustee as lender, in that the margin of safety of any particular security is being constantly increased and the position of the investor made more free from cause for anxiety. It may confidently be anticipated that as the system extends to farming loans it will have a valuable and undoubted effect in stabilizing the value of land, since a purchaser, in estimating the price which he can reasonably pay for any particular property, will take into account as an annual outgoing not only the interest on the mortgage, but also the instalments of principal which will require to be repaid. The system is also an excellent one from the point of view of the thrifty and industrious farmer who desires the opportunity of reducing his indebtedness gradually by reasonable amounts from year to year. It is felt that if the system had been generally available to farmers years ago the financial position of many of them would be sounder than it actually is at the present time.

Loans for the Erection of Business Blocks.

97. Special safeguards are observed in those cases where loans are obtained for the erection of buildings. Such loans are advanced in progress payments as the work proceeds, on certificates furnished by the valuers employed by the Office.