

would be afforded by the granting of a loan out of the Board's funds, while there would be a grave risk of loss of the Board's funds which it would be improper for the Board to incur in view of its responsibility to debenture-holders.

In cases where there is doubt as to the sufficiency of the security proffered, sympathetic attention is given by the Board and the district boards to all relevant considerations, and, especially where the personal risk is shown to be a particularly good one, every circumstance in favour of granting the loan is gone into fully. In this regard the Board freely acknowledges the valuable services given by the district boards. Composed to a large extent of practical farmers familiar with local conditions, they are able to judge accurately the prospects of the ultimate success of the farming venture and the protection which, if a loan were granted, would in the meantime be afforded to the Board. In many instances suggestions have been made by the district boards for better financial arrangements in regard to leases, mortgages, or other liabilities, or improved methods of farming, the adoption of which has made it possible to approve loans immediately which, under the pre-existing circumstances, would not have been approved, or has later placed the applicants in a position to obtain advances. It is evident, also, from the conditions under which loans have been recommended by directors of associations that the like careful consideration has been given to applications put forward by them.

28. *Securities over Land*.—One matter which has given rise to difficulty in dealing with loan applications is the question of the acceptance by the Board of collateral securities over land. It is clear that the purpose of the intermediate credit system is to provide loans mainly on the security of farming chattels, including live-stock, machinery and implements, and farm-produce, and that a borrower's requirements in respect of land should be met by the system of long-term mortgages of land set up by the Rural Advances Act of 1926. Applications have, however, been submitted for loans which, upon the margins adopted by the Board, would be secured partly on the farm chattels owned by the applicant and partly by collateral mortgages over the farm properties, subject to one or more existing mortgages. Generally, where the stock is of such value that the bulk of the loan required could, upon the Board's margins, be approved upon the stock, and a good equity has been shown to exist in the farm property, the Board has been able to grant the desired loan. It is, however, averse, as a matter of principle, to granting loans which, in view of the inadequacy of the stock offered, would in effect be mainly secured by a mortgage of land following upon prior encumbrances, the total of which is heavy in relation to the value of the land, or to approving advances upon the security of second or subsequent mortgages of land only. In the latter regard it is to be remembered that the rural advances system makes provision for loans on the security of land up to the maximum proportion which is considered prudent from the point of view of a lending institution securing its funds for investment by debenture issues, and if the borrower is not able to obtain a loan of the amount he requires under that system, it would not be within the true purposes for which the Board is constituted to approve a loan which would bring the total indebtedness on the property beyond the amount obtainable from the Rural Advances Board.

It has also at different times been suggested to the Board that loans should be approved in certain cases where the purpose of the loans is to discharge second or later mortgages over the farm properties and a substantial portion of the securities would be in collateral mortgages over the properties, and that in these cases provision should be made for repayment of the Board's loans over longer periods than the normal five-year periods. The term for which loans may be granted is, however, restricted by the Act to five years, which is the term within which the information obtained by the Royal Commission on Rural Credits showed that intermediate credit loans should normally be cleared; but, apart from this, the effect of adopting the course recommended would be to provide facilities for long-term second mortgages of land at low rates of interest, and the Board does not consider that this would properly be within its functions.

While these are the general principles followed by the Board in regard to applications of this nature, each individual case is treated upon its merits and the best possible treatment given to applicants, consistent with the obligations imposed upon the Board.