

expenses associated with their establishment, such as the legal costs and other expenses incurred in forming them; the charges for accounting-books and records, and expenditure of a like nature. Applications by associations for advances of this description are dealt with by the District Intermediate Credit Supervisors.

39. *Payment of Expenses of Administration.*—With the object of enabling associations to meet the expenses of management and lend funds to their members at the same rate as that charged by the Board in respect of direct loans under the provisions of Part III of the Act, the Board at the outset fixed the rate of interest payable by associations at 6 per cent., being $\frac{1}{2}$ per cent. less than its general lending rate, subject to the requirement that $\frac{1}{4}$ per cent. of the $\frac{1}{2}$ per cent. margin of interest so provided should be used for the purpose of setting up a reserve fund to meet contingencies.

Representations were made by some of the associations that the margin of interest available was not sufficient in the earlier stages of an association's working to enable the expenses of management to be met and an adequate remuneration provided for the secretary-treasurer, with the result that difficulty was being experienced in some cases in obtaining the services of or retaining suitable secretary-treasurers. In the opinion of the Board, these difficulties are mainly of a temporary nature, attributable to the fact that the working-expenses of associations are proportionately higher and the revenue considerably less in the initial periods of operation, and that with the growth of business it will be possible for individual associations to operate successfully upon the margin of interest provided by the Board. As it appeared, however, that for the time being a real difficulty existed, the Board decided to permit associations to make a small charge to applicants to cover the cost of the work involved in the consideration of their applications. This was intended to enable associations to provide additional funds for meeting working-expenses without imposing any material burden upon the applicants, and to ensure incidentally that unsuccessful applicants contributed in some measure towards the cost of the work involved in considering their applications.

At a later date further representations were made to the effect that additional revenue was required to enable the associations to operate successfully. After fully considering the position the Board decided to make additional temporary assistance available to associations in the following manner, to enable them to meet the expenses associated with the conduct of their affairs:—

- (a) Associations will be permitted to make a levy upon applicants towards the costs of management upon the following basis: (1) Applications for loans below £500, 10s. 6d.; (2) applications for loans of £500 and over, £1 1s.
- (b) Where an association levies the above charges it will also be permitted to utilize the full $\frac{1}{2}$ per cent. margin to meet the costs of management, including provision for the remuneration of the secretary-treasurers.

Having regard to the period of years for which the average loans will be outstanding, the additional charges authorized will add only slightly to the cost of obtaining loans through associations, and this additional cost will, in any case, be compensated for by arrangements which had, prior to the above decision, been made for reducing the legal expenses incurred in connection with taking securities from borrowers from associations.

The later arrangement referred to above is a temporary one only, and the Board specifically retained the right to restore the provision for setting aside a portion of the interest margin to reserves as soon as associations generally or any particular associations are in a position to operate successfully under the conditions originally fixed.

The majority of the associations have decided to avail themselves of the additional funds made available by the Board in the above manner, but several associations decided to continue operating under the conditions originally fixed by the Board, and to hold over a decision regarding the adoption of the amended conditions until, with experience over a lengthier period, they were in a position to judge whether in the case of their particular associations additional revenue was essential.