

INVESTMENTS FROM THE COMMON FUND.

23. In my last two reports I have referred to the marked effect which the depressed financial and economic condition of the Dominion has had on the lending operations of the Office. Owing to the difficulty of realizing assets in estates under administration, the usual flow from this source of funds for investment has diminished very greatly. On the other hand, capital moneys have still to be provided out of the Common Fund for payment to beneficiaries of their shares in estates the assets of which have been realized in former years and invested in the Common Fund pending the arrival of the time of distribution of the estate. In normal times a substantial amount of money for investment is derived from payments in reduction of principal made by mortgagors whose mortgages are on an amortization basis, under which half-yearly payments of a fixed amount are applied, firstly, in payment of interest on the balance of principal owing, and, secondly, in reduction of the principal sum. In many cases, however, it has been necessary to grant relief to mortgagors by postponing payment of the principal portion of the instalments falling due under their mortgages. This has further curtailed the moneys available for investment.

24. Until recently the effect of the depressed conditions obtaining throughout the Dominion was, in general, not reflected on mortgages held by the Public Trustee on city and suburban securities. The policy of the Office of granting loans on residential properties on an amortization-table basis only, except where an unusually large margin of security is shown, has had the result that loans have been granted to persons who were in a position to make larger annual payments than would be required if the mortgage had been for a short term of years. Though these borrowers, no doubt, have been seriously affected by the present financial stringency, they have, in general, been in a better position to meet their commitments than others. The same considerations apply to business premises which are under mortgage to the Public Trustee. It is inevitable, however, that urban securities should from now on feel the impact of the depression to an increasing extent, as the effect of decreased returns from business and reductions in rents and salaries will be more marked. It is therefore anticipated that it will be necessary, where borrowers show that they are not in a position to continue principal repayments for the present, to place their mortgages temporarily on a flat basis. Since in many cases mortgages have been substantially reduced by payments in accordance with the table, it will be possible for the Public Trustee to grant concessions without risk of loss where a borrower's circumstances warrant the concession being granted.

25. *Collection of Interest.*—In common with mortgagees throughout the Dominion, the Public Trustee has experienced considerable difficulty in collecting interest on mortgages, and in particular on mortgages of farm lands. Wherever it has been possible to do so, having regard to the paramount duty of the Public Trustee as a trustee to ensure that interest is received under a mortgage if it appears that the mortgagor is able to pay the full amount or a portion of the interest, even at some inconvenience, arrangements have been entered into with mortgagors to extend the time within which payment of interest is to be made. In a large number of cases where the Public Trustee, after examination of the financial position of the mortgagor, has been satisfied that co-operation with the mortgagee of the stock is necessary in order to enable the mortgagor to carry on till his annual returns come in, arrangements have been made with the stock mortgagee under which the surplus income, after providing for living and working expenses, rates, and taxes, is divided in an equitable manner between the two mortgagees, and credited on account of interest due under the respective mortgages.

In some cases, however, stock mortgagees have declined to enter into arrangements of this nature, and it has been necessary for the Public Trustee to call up his mortgage, not with the object of dispossessing the mortgagor of the property, but so as to ensure that the whole of the surplus income is not diverted to the stock mortgagee.