4. In other cases it has been possible to co-operate with the mortgagors and thereby enable them to take advantage of the subsidies offered by the Unemployment Board. Not having available funds for the rehabilitation of their holdings, they would otherwise be unable to take advantage of the subsidies offering. The Department, under certain conditions, has provided the finance direct or through the dairy companies to the extent of the sums necessary. Apart from the amounts made available through the media of the dairy companies, other assistance has been afforded by way of salvage. Some securities for various causes, principally poor land, are best left in the occupation of the present owners provided they are worked in a reasonable way. On ruling prices of produce the returns are barely sufficient to pay living and maintenance costs. The market demand is limited, and the replacement of such mortgagors by others similarly unfinancial does not offer any solution to the problem.

The policy of extending every reasonable opportunity to the mortgagor has been continued, but cases arise where the mortgagor's position renders necessary a sale of his security. There were 158 of such cases during the financial year ending 31st March, 1935.

5. The original organization of the State Advances Office did not provide for Field Officers, with the result that any regular supervision under recent slump conditions of the farming securities on a wide enough scale did not exist. In normal times it was deemed sufficient to concentrate on the comparatively few cases of difficult securities through its Inspecting Valuer. The conditions changed rapidly and the need of Field Officers became urgent. In its difficulty the State Advances Office invoked the assistance of the Valuer-General and his District Valuers, and for the last two years there has been the closest co-operation between the two Departments in respect of the field-work, with resulting benefits to both this Office and its mortgagors. In each valuation district the District Valuer acts now as the representative for this Department and identifies himself with its interests. The assistance obtained has proved most valuable to this Office.

6. *Town Securities.*—With regard to the securities in the urban and suburban areas, the Department has continued the provision made for regular and frequent collections from its mortgagors in arrear. This activity has now become an integral part of the Office administration, and its value to both the Office and its mortgagors fully established. For the year ended 31st March, 1935, the actual number of collections under the system amounted to 364,701, bringing in a gross return of £606,526. The Office has branch offices in Auckland, Christchurch, and Wellington and operates through agents under agency agreements in other parts of the Dominion. Monthly totals of the results of these operations appear in the Schedule, Forms A to F. Form A representing Auckland Branch operations; Form B, Wellington Branch; Form C, Christchurch Branch; Form D, agents in other centres; Form E shows a summary of A, B, C, and D on a month-to-month variation; Form F is a final summary.

7. While every consideration has been extended to mortgagors, it has become necessary in certain cases to assume control of securities as a mortgagee in possession. The Department has, for the reasons set out in last year's report, confined its measures to the letting of these reverted securities. This policy has been continued, as the conditions of the property market do not appear to justify any variation at the present time. These securities are referred to in the Schedule, Forms A to F, as "Rentals," but this category covers also approximately two hundred cases in which the Department has accepted an agency from the mortgagor and is collecting the revenue from the property against its charges. The capital represented in the rentals amounts to £2,836,448 approximately, or £786 per house. On the 31st March, 1935, the total number of "rental" cases amounted to 3,607, of which all but 73 were tenanted. The vacancies vary from month to month, due to seasonal and other causes. Auckland suburbs and Wellington accounted for 33 of these, and the remainder of the total above was distributed throughout New Zealand. The rent collected during the year in respect of the tenanted properties amounted to £158,975, being 94·43 per cent. of the rent payable and 79·38 per cent. of the gross instalments payable during that period in respect of the relative mortgages.