have filed applications for relief under the Mortgagors and Lessees Rehabilitation Act have been withholding payment of current interest, although they have evidently been in a position to meet current interest in full, or at least to make substantial payments on account. The Court of Review has, however, made an official pronouncement that current interest should be paid by applicants for relief who are in a position to do so, and it is anticipated that in view of the attitude taken by the Court of Review payments will be improved.

17. *Pooling Schemes.*—One result of the general improvement in conditions has been that a number of mortgagors whose farming operations had previously been subject to pooling arrangements between the Public Trustee and the stock mortgagee were able to clear their arrears of interest out of the revenue from the 1934–35 farming season, and to make provision for meeting future interest as it fell due. In consequence, the number of pooling schemes in force for the farming season ended 30th June, 1936, was reduced to 198. In practically every case the revenue available to meet interest on the mortgages of the land and the stock, after payment of the living and working expenses of the mortgagor, was substantially higher than that received under the pool for the previous year. The total amount received by the Public Trustee was in excess of one year's interest on the total principal sum secured by the mortgages which were subject to pooling arrangements for the period.

18. *Rehabilitation Legislation.*—In view of the extent of the Public Trustee's investments, a great amount of work was cast on the Office through the operation of the Mortgagors and Lessees Rehabilitation Act, 1936. The provision in the Act under which all guarantors of mortgages were automatically released, unless they had been expressly served with notice advising them of their right to apply for adjustment of their liability, necessitated the perusal of every mortgage file for the purpose of ascertaining what parties were liable under the mortgage, and deciding whether it was necessary for the protection of the funds invested in the mortgage that the guarantors' liability should be retained. In view of the wide definition of the word "guarantor" under the Act, the investigation of all the files involved considerable expenditure of time and care; but the work was completed within the period prescribed by the statute. In addition, the Public Trustee was in receipt of a number of notices under section 81 of the Act calling upon him to reduce the rate of interest payable under the mortgages concerned or to accept repayment of the amount within three months. In some instances mortgagors who had funds available for repayment or reduction of the principal moneys took advantage of the section to obtain acceptance by the Public Trustee of total or partial repayment by serving notice demanding reduction of the rate of interest to a nominal amount.

Where notices had been served with a genuine desire to obtain a reduction of interest to current rates, under mortgages which had been arranged at a time when the ruling rates were higher, negotiations were entered into with the mortgagors concerned, and in practically every case a satisfactory arrangement was arrived at. Where the mortgage was on a long-term table basis and the mortgagor was desirous of continuing the principal repayments, the rate of interest was reduced for a period of five years with provision for review of the rate at five-yearly intervals; and the mortgagor was given the right to repay the mortgage at the expiration of any five-yearly period if the rate fixed by the Public Trustee for the succeeding period were inacceptable. It is interesting to note that a large number of mortgagors expressed a desire to continue repayments on a table basis.

19. *Applications for Adjustment.*—In comparison with the large number of mortgages held by the Public Trustee as security for loans from the Common Fund and from Special Funds invested in his name, the number of applications for adjustment made against him was very small. Further, the great majority of the applications were either filed by way of precaution pending arrangements for a reduction in the rate of current interest or were primarily directed against subsequent encumbrancers. Where, however, relief has been sought against the Public Trustee, negotiations have been opened with the mortgagor with a view to effecting such voluntary arrangements as are compatible with the Public Trustee's duty to conserve the funds entrusted to him for investment, with the result that already many applications have been withdrawn.

20. *Local Bodies.*—The financial position of both the Thames Borough Council and the Matakaoa County Council which are under Commissioner control has shown still further improvement during the year, and it has been possible for both local