

The policy of long-term low interest-rates in this Dominion was commenced with the conversion of Government securities. The conversion of local authorities' securities followed, thus completing the reduction as affecting gilt-edged securities. In the field of mortgage investment, the passing of the legislation which created the State Advances Corporation has paved the way for the reduction in interest on mortgage debts to a rate which has no parallel in the history of the Dominion. Not only has the Corporation, by its adoption of a lending-rate of $4\frac{1}{8}$ per cent. for new loans, set a standard for new mortgage business, but the option given by the legislation to existing mortgagors of the Corporation to obtain a reduction in interest to $4\frac{1}{8}$ per cent. has assisted them materially to recover their position. The influence of the Corporation in the land-mortgage market is strikingly evident from the statistics in relation to mortgage registrations and rates of interest. The figures which are reduced to the form of a diagram appearing at page 34 hereof may be summarized as follows:—

<i>July, 1935.</i>		Per	<i>March, 1937.</i>		Per
Mortgage registrations at rate of interest—		Cent.	Mortgage registrations at rate of interest—		Cent.
Not exceeding $4\frac{1}{8}$ per cent.	..	6·8	Not exceeding $4\frac{1}{8}$ per cent.	..	25·7
Over $4\frac{1}{8}$ per cent. but not exceeding 5 per cent.	..	78·8	Over $4\frac{1}{8}$ per cent. but not exceeding 5 per cent.	..	67·8
Over 5 per cent. but not exceeding 6 per cent.	..	11·8	Over 5 per cent. but not exceeding 6 per cent.	..	5·0
Over 6 per cent.	..	2·6	Over 6 per cent.	..	1·5
		100·0			100·0

The figures for July, 1935, do not reflect any influence of the Corporation, as its lending operations had not then commenced. The effect of the policy of the Corporation is, however, shown in the figures as at March, 1937, when the mortgage registrations at rates of interest not exceeding $4\frac{1}{8}$ per cent. rose from 6·8 per cent. in July, 1935, to 25·7 per cent. in March, 1937, but these figures do not take into account the adjustment of mortgages under section 39 of the statute whereby the interest-rate was reduced to the current lending-rate of $4\frac{1}{8}$ per cent. net. Mortgages to the value of approximately £20,000,000 have been adjusted in this way, and of this amount documents affecting less than £50,000 worth of mortgages have been registered, so that the chart for the future will reveal a much sharper contrast resulting from the operations of the Corporation.

There can be no argument but that a policy of cheap money is invaluable in a period of economic stress and also in a period of recovery, and it can hardly be said that recovery in the field of mortgage finance in New Zealand is yet complete.

5. *Fresh Issue of Stock and Debentures: Series "B."*—Having regard to the continuing calls on its funds for new loans, the Board decided early in 1937 to place on the market a new loan issue to provide additional capital with which to continue its active lending policy. The first issue in 1935 was limited to £500,000 bearing interest at $3\frac{3}{8}$ per cent., with currency to the 1st September, 1960, and with an option to the Corporation to redeem the securities at any time after the 1st September, 1955. The Board felt that it would be preferable not to fix an upper limit for the new issue which was opened for subscription on the 16th February, 1937, and it was accordingly decided to float this as an "over the counter" issue which could be regulated according to the requirements of the Corporation in the matter of further capital. That this decision was fully justified has since been proved, for, while sufficient funds have been obtained to meet present requirements, the demand for new loan-moneys still continues. However, the funds available from time to time from the current issue and capital repayments from existing mortgages enable the Board within the limits of its policy to cope with the position.

The Board of Management gave very careful consideration to the terms and conditions of the new issue. It was felt that it would be more advantageous to place on the market a short-dated issue as by so doing a lower rate of interest could be fixed. It was finally decided that the new issue should be for a term of seven years, with interest at $3\frac{1}{4}$ per cent. In accordance with the statute this and all future issues will carry a State guarantee as to principal and interest, in addition to which the securities constitute a floating charge over the assets of the Corporation, the total value of the latter being now in excess of £56,000,000.