Applications declined by the Board as being unsuitable for various reasons totalled £3,621,757, made up as follows :—

	Number.	Amount.
		£
Urban	1,626	1,275,853
Rural	1,411	2,345,904
	3,037	£3,621,757

As the Corporation has to deal with a constant and steady flow of applications, it naturally follows that there is always a substantial number in course of investigation at any given date. The following statement shows the position in this regard at 31st March, 1937 :—

	Number.	Amount.
		£
Urban	438	310,295
Rural	392	665,475
	830	£975,770

The disposition of applications received for mortgage finance has now been explained, but to complete the review it should be said that numbers of applications are withdrawn for various reasons before reaching finality. In all, 501 applications were withdrawn during the year. In numbers of cases also the loans authorized do not coincide with the amounts applied for.

It will be noted from the foregoing tables that 3,037 applications, involving £3,621,757, were declined during the year, and it is fitting that reference should be made here to several of the contributory reasons for such a large proportion of the applications being regarded as unsuitable.

I should like at this stage to say that the Board must, in the interests of the debenture-holders and of the taxpayers of this Dominion, exercise a proper discretion as to the type of security upon which it lends. In respect of "special loan" business, which will be referred to later herein, the Board recognizes the duty cast upon it of giving effect to the policy of the Government as enunciated in the Act. Within these limits the Board has acted in the consideration of loan applications, but notwithstanding the extended lending-powers conferred by the 1936 Act large numbers of the applications being received are, for a variety of reasons, unsuitable and must be declined.

It is evident from a close survey of the applications that a large proportion of them have been lodged as a result of the passing of the Mortgagors and Lessees Rehabilitation Act, 1936. Fuller reference will be made later to the operation of this Act, but here it may be said that many applications deemed unsuitable were lodged by mortgagors in an endeavour to arrange finance independently of their existing mortgagees, from whom they probably hoped to obtain a discount for a cash settlement and thus avoid the necessity for making application for adjustment of their liabilities under the Mortgagors and Lessees Rehabilitation Act. Then, again, it is fair to say that quite a number of the applications were inspired by existing mortgagees, especially second mortgagees, who possibly hoped to avoid having their mortgages reduced under the rehabilitation legislation by persuading some other lender to take over the securities. This comment applies equally to rural and urban applications, and the investigation of many of these applications has proved conclusively that the securities offered have been hopelessly over-mortgaged, and that in their own interests the mortgagors should seek the benefit of a review of their liabilities by the Adjustment Commissions. The fact that such applications had to be declined by the Corporation may subsequently have proved to be of advantage to the over-burdened mortgagor, although an unfavourable decision on a new loan application would rarely, if ever, be looked on in this light by the applicant.

It is probably the experience of any newly founded institution that it is the recipient of applications from many individuals who have been unsuccessful in obtaining finance from other established concerns, and the experience of the State Advances Corporation has been no exception.

Added to this there is always a steady stream of potential borrowers whose ideas of the value of the security they have to offer are at variance with the value of the security judged by reasonable standards.