

In regard to applications for finance for the erection of dwellings under the extended powers conferred by the Act, it has been found in practice that there was considerable misconception on the part of applicants concerning the limitations imposed in respect of special building loans as part of the policy of the Government.

It was made clear by the Minister of Finance in his explanation that the Board of Management would make what were termed "Special loans" above the usual limit of 66 $\frac{2}{3}$ per cent. of the Board's value in appropriate cases for the rehabilitation and financing of farmers and the building of homes. The Minister added that in cases where persons were willing and able to pay some reasonably substantial deposit towards the cost of the home, the Government, through the medium of the State Advances Corporation, proposed to find the balance at a low rate of interest and with as small a margin as was reasonable. Put in another way, it was deemed necessary that applicants for special building loans should be able to satisfy the Corporation that they, as mortgagors, would have a reasonable equity in their homes. In addition, the Corporation had to satisfy itself that applicants had stability of employment and sufficiency of income to provide living-expenses and all outgoings on the property. It has been found that many applicants have expected to receive advances approximating and in some cases even exceeding 100 per cent. of the cost of their projects, and have overlooked altogether the requirements. The Board has been unable to assist in such cases, and where the proposal on examination showed that it was beyond the resources of the applicant from an income viewpoint.

There has also been some misconception in regard to the income limitations imposed by the Government in connection with applicants for these special loans—viz., that the joint income of husband and wife should not exceed £6 per week, with some reasonable allowance to meet the different family circumstances. Many applicants whose income has exceeded the figure mentioned have applied for special building loans exceeding the normal lending margin, and in the absence of special circumstances the Board has been unable to deal with such applications as special loans.

Notwithstanding this degree of misconception which existed in the minds of potential borrowers, it is pleasing to record that the Corporation has been able to implement the housing policy of the Government to the extent that within a period of approximately six months since the policy was inaugurated it has assisted with special loans some 525 applicants with loans totalling £385,708.

In connection with its policy of lending on urban securities, the Board of Management gave early consideration to the desirability of ensuring the erection of a better type of dwelling in New Zealand. To this end arrangements were made with the New Zealand Institute of Architects whereby the services of architects selected by the Corporation were available in different centres for the examination of plans and specifications submitted in connection with loan applications, and for the furnishing of progress reports on buildings in course of construction. At the request of the Corporation the New Zealand Institute of Architects agreed upon special fees for these services in recognition of the social services involved. This arrangement has worked well in practice, and there is little doubt but that the reviewing of plans and specifications by properly qualified architects and the service subsequently rendered has had a beneficial effect upon the general design of buildings and standard of construction. The Board wishes to place on record its appreciation and thanks to the architects who so willingly co-operated in this matter.

An important provision is contained in section 33 of the Act, which authorized the Corporation, in fixing the terms and conditions of any mortgage securing a loan, to require collateral security in the form of a policy of life insurance with the Government Life Insurance Office. A combined plan has been arranged by the Corporation and the Government Life Insurance Department enabling mortgagors in suitable cases to provide by life insurance at a reasonable cost against the contingency of death before the maturity date of the Corporation's table mortgage. Recognizing that many applicants for loans would have difficulty in paying annually the premium on an ordinary whole-life policy covering the amount of the loan in addition to instalments on a mortgage and other outgoings in connection with their property, the joint scheme has been able to limit the insurance cover to the amount of the reducing balance of principal under the Corporation's loan with a greatly reduced single premium.