The premium payable at the commencement of the policy varies with the amount of the advance, the age of the mortgagor, and the term of the loan, and the applicant may, if he so desires, pay the premium in cash. In many cases this is not convenient, and the Corporation, provided the proposal is approved by the Board of Management and accepted by the Government Life Insurance Department, will increase the loan to cover the amount of the single premium. The additional advance is then repaid to the Corporation by instalments as part of the loan-moneys. The protection afforded by this type of policy is the clearance of the balance of the loan in the event of the death of the insured, but it is to be noted that the cover extends only to the balance of principal owing under the mortgage excluding any arrears of principal instalments or interest. This scheme is also available in approved cases to existing mortgagors.

In dealing with new loan applications in excess of the normal margin, the Board of Management has decided to require alternatively—

(a) That mortgage-repayment insurance be taken out; or

(b) That ordinary life-insurance cover of an amount sufficient to bridge the gap between the proposed loan and the ordinary lending margin be effected at the cost of the applicant and assigned to the Corporation.

The Board is also enabled under section 34 of the Act to include a condition in respect of any loan granted that the mortgagor shall, if so required, pay to the Corporation in addition to any other moneys payable under the mortgage, such sums as the Board thinks necessary to form a fund to be used on behalf of the mortgagor in payment of rates, insurance, and other charges in respect of the mortgaged property. In appropriate cases this provision in the legislation is invoked.

Turning now to rural applications, it is a statutory requirement that the Board of Management, in assessing the value of rural land for mortgage purposes, shall have regard primarily to the earning-capacity of that land, and the Board's present working basis is that the earning-capacity be assessed by reference to the average prices for farm-produce over the immediately preceding eight- to ten-year period. This principle was affirmed by the Board prior to the passing of the Mortgagors and Lessees Rehabilitation Act, 1936, and that the basis adopted was prudent is evidenced by the fact that the adjustment of mortgages as authorized by that Act is to be determined on the same basis.

In its lending operations the Board has adopted a long-range policy, which is considered very necessary in view of the long-term mortgage finance which is the principal feature of its operations. Valuation of rural land by reference to earning-capacity over a period of years is a natural corollary to the granting of long-term mortgage finance.

It is perhaps not out of place here to remark that it was customary in the past, before the establishment of the Corporation, to assess the value of land for mortgage purposes in accordance with the Valuation of Land Act, 1908, virtually on the basis of the selling-price as between a willing buyer and a willing seller. The objection to this method is that the valuation determined upon is influenced by the general state of optimism or pessimism existing in the minds of buyers and sellers at the time. A period of rising produce prices creates an abnormal demand for land, especially land of good quality, so that even cautious purchasers are more or less forced to buy on this basis, but in a period of falling produce prices the substantial holder of land is not necessarily affected, while the man of slender resources is often forced by circumstances to sacrifice his property on an unfavourable market. Experience has proved that valuations measured solely on market values subject to extreme fluctuations are dangerous, and that earning-capacity averaged over a period of years offers a more stable and satisfactory basis.

The Board feels that in carrying out the duty imposed upon it by statute to have regard to the earning-capacity of rural land it will in no small measure assist in checking unhealthy land booms, and it may not be an exaggeration to say that this influence is even now being felt.

It is this test which is in some degree responsible for the number of rural applications which it has been necessary for the Board to decline as being unsuitable. The lessons of the past as evidenced by the necessity for extensive mortgage-adjustment legislation point very definitely to the need for recognition of this factor.