It will not be out of place here to mention that there has been a tendency on the part of mortgagors who are applicants for relief under the Mortgagors and Lessees Rehabilitation Act to withhold payment of accruing interest. The Corporation has done its utmost to combat this tendency, which was also noticed by the Court of Review, and was the subject of an official pronouncement by the Court to the effect that accruing interest should be paid within the limits of the mortgagor's capacity notwithstanding a pending application for relief.

19. *Reverted Securities: Urban Properties.*—On the 31st March, 1937, 4,022 urban and suburban securities were being administered by the Corporation on a rental basis, all but nineteen of these premises being occupied.

There has also been an improvement in the rental collections for the year under review, the amount collected being £225,928 or 99·8 per cent. of the rental payable, as against 96·51 per cent. for the preceding period. The collections for the year represent 91·7 per cent. of the gross instalments of principal and interest in respect of the relative mortgages, as against 86·08 per cent. for the previous period.

It is necessary from time to time to review the rents payable on these properties. The Corporation is, of course, bound by the provisions of the Fair Rents Act just as fully as is any private individual, and there is no desire on the part of the Board to secure an unwarranted increase in rents.

The legal title to these properties remains in the name of the former mortgagors, and the Corporation is merely acting as mortgagee in possession. For this reason it has not a free discretion, and is under a legal as well as a moral obligation to use diligence in dealing with the properties.

The Board considered the position in the light of market conditions, and a fair rent in respect of each property under review was assessed, and the tenants were asked, if they agreed to the rent decided upon, to have the proposed amount submitted to an Inspector of Factories for approval in terms of the Fair Rents Act.

It should be made clear that where tenants do not agree to the rent suggested by the Corporation they may either refer the matter to an Inspector of Factories for his decision, or allow the case to be submitted to a Magistrate, who will not make an order until all the circumstances of each case are fully taken into account.

It may be mentioned here that a fairly substantial loss is likely to result from the final realization of these securities. Many of the properties are over-capitalized, and will not, on a rental basis, return sufficient to meet interest and other outgoings. It is the intention of the Board, as soon as circumstances permit, to undertake a review of these properties in order to determine on the future course of action.

20. *Reverted Securities: Rural Properties.*—During the year the Board has commenced a review of rural securities in respect of which it is mortgagee in possession, and the balance-sheet shows an item of £335,038 under the heading "Securities in Course of Realization" representing the amount owing in respect of 294 securities. This is not to be taken as the final figure representing rural securities in course of realization. This will be larger, but the Board is having these cases reviewed in order that every effort may be made to make the properties revenue-producing and to bring them into a state of productivity. Here again a fairly substantial loss will have to be faced.

The amount shown in the balance-sheet under the heading "Realization Suspense Account," £63,656, represents deficiencies actually ascertained on sales of properties but yet to be allocated, and has no relation to securities in course of realization at the end of the year.

21. *Salvage Advances.*—The Board has continued to give consideration to mortgagors who are in difficulties, and in suitable cases has agreed to salvage advances for the purpose of rehabilitating securities which have, through force of circumstances, been allowed to deteriorate during the depression years. This applies to both rural and urban securities. In some cases also assistance has