
A BILL FOR AN ACT

RELATING TO DISASTER LOANS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that there exists a
2 continual need to make available funds for disaster relief and
3 rehabilitation through commercial and personal loans after it
4 has been determined and declared by the governor that a disaster
5 has occurred. Loan funds are used to rehabilitate businesses,
6 individuals, and families as nearly as possible to their pre-
7 disaster level. This disaster loan program has resulted in
8 immediate and effective relief for disaster victims.

9 The purpose of this Act is to:

- 10 (1) Conform to the revised Small Business Administration
11 Disaster Loan Program;
- 12 (2) Allow for the remediation of damaged real property;
- 13 (3) Set loan application deadlines;
- 14 (4) Increase the loan ceiling for individuals and
15 businesses to \$50,000 and \$100,000, respectively;
- 16 (5) Set the loan interest rate at one per cent below the
17 Small Business Administration's interest rate; and



1 (6) Delete provisions for the transfer of funds from other
2 state loan programs that are no longer funded.

3 SECTION 2. Section 209-26, Hawaii Revised Statutes, is
4 amended by amending subsection (c) to read as follows:

5 "(c) For purposes of this section, "financial institution"
6 means any organization authorized to do business under state or
7 federal laws relating to financial institutions, including
8 without limitation, banks, savings banks, savings and loan
9 companies or associations, financial services loan companies,
10 and credit unions. It also means any federal agency authorized
11 to provide disaster loans or other disaster assistance,
12 including, but not limited to, the Small Business
13 Administration, the Department of Agriculture, the Department of
14 Commerce, and the Department of Homeland Security."

15 SECTION 3. Section 209-27, Hawaii Revised Statutes, is
16 amended to read as follows:

17 **"§209-27 Types of loans; participation.** The director of
18 business, economic development, and tourism may make two types
19 of loans[+] under this part:

20 (1) Loans in participation with private financial
21 institutions to be known as [~~participating~~]



1 participation loans~~[, and]~~, which may be required
2 before a direct loan can be made; and

3 (2) Loans wholly from state funds to be known as direct
4 loans.

5 The director may negotiate contracts with private financial
6 institutions upon reasonable terms for the participation of the
7 institutions with the State in the making of loans pursuant to
8 this part, including but not limited to, a term by which the
9 financial institutions undertake to service the loan.

10 [~~Participation~~] The participation agreement shall provide that
11 at least ten per cent of the total loan be comprised of funds
12 from the private financial institution. The private financial
13 institution's share of the disbursement of funds of any loan
14 shall be the same percentage agreed upon for its participation
15 in the total amount of that loan. [~~No direct loan shall be made~~
16 ~~unless a participating loan cannot be negotiated at reasonable~~
17 ~~terms.~~]"

18 SECTION 4. Section 209-28, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§209-28 Purpose of loans.** (a) Commercial loans under
21 this part may be made for the following purposes: [~~to purchase~~]



1 (1) Purchasing inventory, equipment, and machinery; [~~to~~
2 ~~construct, repair, or restore]~~

3 (2) Constructing, repairing, or restoring buildings; [~~to~~
4 ~~provide]~~

5 (3) Providing operating funds; and [~~to refinance]~~

6 (4) Refinancing outstanding business loans on equipment
7 and buildings;

8 provided that the loans shall be used to rehabilitate the
9 business of the disaster victim as nearly as possible to its
10 predisaster level[+], including remediation or other measures
11 intended to prevent damage to property from subsequent
12 disasters; and provided further that the loans shall not be used
13 to begin a business substantially different from the one the
14 disaster victim was engaged in before the state disaster.
15 Business concerns [~~which~~] that were [~~nonowners~~] tenants or
16 lessees of buildings before the state disaster shall not be
17 precluded from obtaining building loans under this part.

18 (b) Personal loans under this part may be made for the
19 purpose of repairing residential property, including remediation
20 or other measures intended to prevent damage to property from
21 subsequent disasters, meeting necessary expenses, or to satisfy
22 serious needs of individuals and families, including reciprocal



1 beneficiaries [~~which~~] that arose as an immediate and direct
2 result of a disaster."

3 SECTION 5. Section 209-29, Hawaii Revised Statutes, is
4 amended to read as follows:

5 **"§209-29 Eligibility for loans.** Loans may be made to
6 individuals, partnerships, limited liability companies, joint
7 ventures, corporations, cooperatives, or other business
8 associations[~~, but only if~~]; provided that the applicant:

9 (1) Has submitted a loan application within the later of:

10 (A) Six months of the state declaration of a
11 disaster; or

12 (B) Three months of the denial of a loan application
13 made to a federal agency in the case of a
14 federally declared disaster;

15 [~~+1~~] (2) Suffered loss of or damage to property in a
16 rehabilitation area as a result of a state disaster;

17 [~~+2~~] (3) For a commercial loan, had operated an
18 industrial, manufacturing, processing, wholesaling, or
19 retailing business, or professional or service
20 business, or building rental business, immediately
21 before the disaster;

22 [~~+3~~] (4) Presents a suitable program for:



1 (A) Rehabilitation or re-establishment of the
2 applicant's business to its predisaster level
3 when applying for a commercial loan; or
4 (B) Meeting necessary expenses and satisfying the
5 serious needs of the applicant and the
6 applicant's family, including reciprocal
7 beneficiary, when applying for a personal loan;
8 [+4+] (5) Has reasonable ability to repay the loan; and
9 [+5+] (6) For a commercial loan, presents written evidence
10 that the Small Business Administration or other
11 federal agency had declined an application for
12 financial assistance under [~~the Small Business~~
13 ~~Administration Disaster Loan Program~~] its disaster
14 loan program or has reduced the amount of the loan
15 request[+] to a level below that needed to repair the
16 damage; provided that the declination was not due to
17 the applicant's having sufficient financial resources
18 to rehabilitate the applicant; or
19 [+7+] ~~For~~, in the alternative, for a commercial loan,
20 cannot secure any loans from [~~the Small Business~~
21 ~~Administration Disaster Loan Program~~] a federal
22 disaster loan program because the making of the loans



1 is not covered by the program, and the director of
2 business, economic development, and tourism is
3 reasonably satisfied that the applicant is ~~[not]~~:

4 (A) Not able to secure loans from private lending
5 institutions; and ~~[does]~~

6 (B) Does not have sufficient financial resources to
7 rehabilitate the applicant.

8 ~~[Paragraph (6) shall be applied in the alternative with~~
9 ~~respect to paragraph (5) of this section.]"~~

10 SECTION 6. Section 209-30, Hawaii Revised Statutes, is
11 amended to read as follows:

12 **"§209-30 Terms.** (a) No loan shall include any portion or
13 item of loss covered by a contract of insurance or for which the
14 applicant receives assistance from any other federal, state, or
15 county program of disaster relief~~[7]~~ in an amount equal to the
16 amount of damage sustained, and the amount of loans to any one
17 applicant shall in no case exceed ~~[\$75,000]~~ \$100,000 for a
18 commercial loan and ~~[\$35,000]~~ \$50,000 for a personal loan.

19 (b) No loan shall be made for a term exceeding twenty
20 years.

21 (c) Each loan shall bear simple interest at ~~[the]~~ a rate
22 of ~~[five per cent a year]~~ one per cent below the then current



1 applicable rate set by the Small Business Administration
2 Disaster Loan Program for direct loans and the State's share of
3 [~~participating~~] participation loans.

4 (d) The commencement date for the repayment of the first
5 installment on principal only for each loan may be deferred for
6 a period of six months from the date of the loan.

7 (e) Each loan that allows for remediation and mitigation
8 may provide for future protection or at least minimize the
9 extent of the damages.

10 (f) The director shall allow for flexibility in the loan
11 application deadline."

12 SECTION 7. Section 209-34, Hawaii Revised Statutes, is
13 amended to read as follows:

14 ***§209-34 State disaster revolving loan fund.** [~~(a)~~] There
15 is established the state disaster revolving loan fund into which
16 shall be deposited all moneys appropriated by the legislature to
17 the fund, contributed or transferred to the fund, and received
18 as repayment of loans and interest payments as provided in this
19 part, and from which the director of business, economic
20 development, and tourism may make loans in accordance with this
21 part.



1 ~~[(b) The director may transfer moneys from the state~~
2 ~~disaster revolving loan fund established by this section to~~
3 ~~either the Hawaii capital loan revolving fund established by~~
4 ~~section 210-3 or the Hawaii innovation development fund~~
5 ~~established by section 211E-2. Moneys from the Hawaii capital~~
6 ~~loan revolving fund established by section 210-3, the Hawaii~~
7 ~~innovation development loan revolving fund established by~~
8 ~~section 211E-2, and the state disaster revolving loan fund shall~~
9 ~~be disbursed by the department or the director pursuant to~~
10 ~~chapters 209, 210, and 211E, respectively. The department or~~
11 ~~the director may transfer moneys from the Hawaii capital loan~~
12 ~~revolving fund and the Hawaii innovation development fund to the~~
13 ~~state disaster revolving loan fund for disbursement pursuant to~~
14 ~~this chapter.~~

15 ~~(c) The total amount of moneys transferred to the state~~
16 ~~disaster revolving loan fund, the Hawaii capital loan revolving~~
17 ~~fund, or the Hawaii innovation development fund shall not exceed~~
18 ~~\$1,000,000 for each respective fund within the calendar year.~~

19 ~~(d) Notwithstanding subsection (c) to the contrary, the~~
20 ~~total amount of moneys transferred between the state disaster~~
21 ~~revolving loan fund and the Hawaii capital loan revolving fund~~
22 ~~or the Hawaii innovation development fund shall not exceed~~



1 ~~\$1,000,000 within the calendar year if the governor proclaims a~~
2 ~~state disaster pursuant to section 209-2.~~

3 ~~(e) The director shall report any transfer of funds made~~
4 ~~under this section to the legislature within ten days of the~~
5 ~~transfer.~~

6 ~~(f) All unexpended and unencumbered moneys remaining in~~
7 ~~the state disaster revolving loan fund at the close of each~~
8 ~~fiscal year, which are deemed by the director of finance to be~~
9 ~~in excess of the moneys necessary to carry out the purposes of~~
10 ~~this section over the next following fiscal year, shall lapse to~~
11 ~~the credit of the general fund.] "~~

12 SECTION 8. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 9. This Act shall take effect upon its approval.



Report Title:

Commercial and Personal Loan Program; Disaster Assistance

Description:

Provides for variable interest rates below the applicable Small Business Administration rates; increases loan amounts; allows for remediation/mitigation; adjusts loan application deadlines; and makes other housekeeping changes to the state disaster commercial and personal loan program. (SD1)

