

---

# 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. The 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 United States Small Business  
11           Administration 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, which
- 4                    may include implementing remediation measures or other
- 5                    measures to prevent damage to property from subsequent
- 6                    state disasters; [~~to provide]~~
- 7        (3) Providing operating funds; and [~~to refinance]~~
- 8        (4) Refinancing outstanding business loans on equipment
- 9                    and buildings;

10 provided that the loans shall be used to rehabilitate the

11 business of the disaster victim as nearly as possible to its

12 pre-disaster level; and provided further that the loans shall not

13 be used to begin a business substantially different from the one

14 the 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, which may include

20 implementing remediation measures or other measures to prevent

21 damage to property from subsequent state disasters, meeting

22 necessary expenses, or [~~to satisfy~~] satisfying serious needs of



1 individuals and families, including reciprocal beneficiaries,  
2 which arose as an immediate and direct 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 no later than:
  - 10 (A) Six months from the date of the declaration of a
  - 11 state disaster pursuant to section 209-2; or
  - 12 (B) Three months from the date of the denial of a
  - 13 loan application by a federal agency in the case
  - 14 of a declared disaster,
  - 15 whichever is later;

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

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



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



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

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

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

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

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

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

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



1 (c) Each loan shall bear simple interest at ~~[the]~~ a rate  
2 of ~~[five per cent a year]~~ one per cent below the then current  
3 applicable rate set by the Small Business Administration  
4 Disaster Loan Program for direct loans and the State's share of  
5 ~~[participating]~~ participation loans.

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

9 (e) The director shall establish reasonable deadlines for  
10 receiving loan applications; provided that the director may  
11 establish criteria for waiving application deadlines in light of  
12 exigent circumstances."

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

15 "**§209-34 State disaster revolving loan fund.** ~~[(a)]~~ There  
16 is established the state disaster revolving loan fund into which  
17 shall be deposited all moneys appropriated by the legislature to  
18 the fund, contributed or transferred to the fund, and received  
19 as repayment of loans and interest payments as provided in this  
20 part, and from which the director of business, economic  
21 development, and tourism may make loans in accordance with this  
22 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. (SB2984 SD2)

