

STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON SENATE BILL 2984 SD1
A BILL RELATING TO DISASTER LOANS

PRESENTATION TO THE
COMMITTEE ON WAYS AND MEANS

BY

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ACTING DIRECTOR OF CIVIL DEFENSE

February 21, 2008

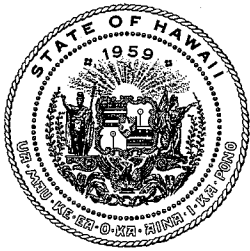
Chair Baker and Committee Members:

I am Ed Teixeira, Acting Director of Civil Defense, State Department of Defense. I am providing written testimony in strong support of Senate Bill 2984 SD1.

Senate Bill 2984 SD1 strengthens the State's Disaster Commercial and Personal Loan Program under Chapter 209, Hawaii Revised Statutes. When authorized by a Governor's Emergency Proclamation, this loan program has been a resource for our residents including business owners who need financial help in recovering from damage caused by the effects of natural or man-made hazards.

The proposed bill sets new loan application deadlines and increases the loan ceiling for individuals and businesses. More importantly, the bill sets a loan interest rate at 1.0 percent below the lending rate of the U.S. Small Business Administration's disaster loan program.

Thank you for the opportunity to provide written testimony on behalf of an important disaster preparedness initiative.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

Thursday, February 21, 2008
9:30 A.M.

State Capitol, Conference Room 211

in consideration of
SB2984 SD1
RELATING TO DISASTER LOANS

Chair Baker, Vice Chair Tsutsui and Members of the Senate Committee:

The Department of Business, Economic Development and Tourism (DBEDT) supports SB2984 SD1, but recommends an amendment as discussed on Page 3 of our testimony. This Administration bill implements changes to the disaster loan program by providing for a variable interest rate below the applicable Small Business Administration Disaster Loan Program rates; increasing loan ceiling amounts; allowing for the remediation and mitigation; setting loan application deadlines; and making other housekeeping changes to the State Disaster Commercial and Personal Loan Program.

The Commercial and Personal Loan Program (Part III, Chapter 209, HRS) was established by the State Legislature in 1961 to provide financial assistance to businesses who suffer damages in a State-declared disaster. The program was expanded in 1976 to include personal loans to meet the necessary expenses and needs of individuals and families as a direct result of the disaster.

Before assistance can be provided under the Disaster Commercial and Personal Loan Program, the Governor must make a declaration that a disaster has occurred. Currently, maximum loan amounts to businesses and individuals are \$75,000 and \$35,000, respectively. Loans to businesses are made for the rehabilitation or re-establishment of the business to its pre-disaster level and to individuals in meeting necessary expenses and satisfying serious needs of self and family. Over the past 45 years, the program has assisted 91 borrowers for a total financing requirement of \$585,000.

The following proposed amendments would make changes to the Disaster Commercial and Personal Loan Program in an effort to conform to the Small Business Administration's Disaster Loan Program:

- Change the current loan rate from 5.0% to a rate of one percent below the then applicable rate set by the Small Business Administration Disaster Loan Program. Currently, SBA business loan rates are 4.0 %; personal loans rates are at 2.875% for non-bankable borrowers and 5.75% for bankable borrowers.
- Increase loan ceiling amounts for businesses from \$75,000 to \$100,000 and individuals from \$35,000 to \$50,000 to keep up with inflation and the costs of construction. The last loan ceiling increase was approved in 1993.
- Allow for remediation and mitigation to provide for future protection or at least minimize the extent of the damages. The purpose of the loan program allows only for the rehabilitation of the business and individuals to as nearly as possible to its pre-disaster level and not for the remediation or other measures intended to prevent damages to the property from subsequent disasters.

- Allow for a loan application deadline of six months from the State's disaster declaration. This will provide certainty as to a cut-off date for loan applications to be considered. An exception is made for SBA loan applicants allowing them an additional three months to apply for the State disaster loan after being formally turned down by the SBA. Therefore, given this loan application deadline for submission, we recommend that §209-30 Terms, "(f) The director shall allow for flexibility in the loan application deadline", be deleted.

Thank you for the opportunity to offer these comments.