

JAN 17 2020

A BILL FOR AN ACT

RELATING TO HEALTH CARE PROVIDER LOAN GUARANTEES.

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

1 SECTION 1. Chapter 321, Hawaii Revised Statutes, is
2 amended by adding a new part to be appropriately designated and
3 to read as follows:

4 "PART . HEALTH CARE PROVIDER LOAN GUARANTEES

5 §321- Definitions. As used in this part

6 "Borrower" means a qualified health care provider that is
7 an obligor, maker, or cosigner under a loan agreement with a
8 private lender.

9 "Department" means the department of health.

10 "Director" means the director of health.

11 "Fund" means the health care provider loan guarantee
12 special fund.

13 "Private lender" includes banks, savings and loan
14 associations, credit unions, mortgage companies, and other
15 qualified companies whose business includes the making of loans
16 in the State.

17 "Qualified health care provider" means:



S.B. NO. 2441

- 1 (1) A physician licensed under chapter 453;
- 2 (2) A physician assistant licensed under chapter 453;
- 3 (3) A nurse licensed under chapter 457; or
- 4 (4) A legal entity registered to do business in the State
- 5 to provide health care services, and which is
- 6 controlled by a person licensed under chapter 453 or
- 7 457 who owns a majority ownership interest in such
- 8 entity.

9 **§321- Health care provider loan guarantee special fund;**
10 **established.** (a) There is established in the state treasury a
11 special fund to be known as the health care provider loan
12 guarantee special fund to be administered and expended by the
13 department. The moneys in the fund shall be used to provide
14 guarantees from private lenders to qualified health care
15 provider borrowers in the State.

16 (b) The fund shall not exceed \$5,000,000 and shall consist
17 of:

- 18 (1) All fees collected or received by the department under
- 19 this part;



1 (2) Repayments from loans including principal and interest
2 collected or received by the department under this
3 part; and

4 (3) All other funds received by the department and legally
5 available for the purpose of the fund.

6 **§321- Loans guaranteed by the department.** (a) The
7 department may guarantee up to ninety per cent of the principal
8 balance of a secured loan made to a qualified health care
9 provider by a private lender who is unable to otherwise lend the
10 qualified health care provider sufficient funds at reasonable
11 rates and terms; provided that at no time shall the aggregate
12 amount of the State's liability, contingent or otherwise, on
13 loans guaranteed under this section exceed \$5,000,000 based on a
14 reserve level established at twenty-five per cent of the loan
15 guarantee amount, with the reserve amount to be funded being
16 calculated by determining the difference between the fund
17 balance at the beginning of each fiscal year and its annual
18 authorization ceiling.

19 (b) Interest charged on a guaranteed loan made under this
20 section shall be determined by the department based on the



1 market rate of interest charged by the private lender for a
2 similar type of loan unless waived by the director.

3 (c) When the application for a guaranteed loan has been
4 approved by the department, the department shall issue to the
5 private lender a guaranty for that percentage of the loan on
6 which it guarantees payment of principal and interest. The
7 private lender shall collect all payments and fees from the
8 borrower and shall otherwise service the loan.

9 (d) In return for the department's guaranty, the private
10 lender shall remit a one-time fee of two per cent on the
11 principal amount of the guaranteed portion of the loan at the
12 time the loan is booked, except for the following:

- 13 (1) On loans of \$75,000 or less with a maturity exceeding
14 twelve months, a reduced fee of one per cent; and
15 (2) On loans with a maturity of twelve months or less, a
16 reduced fee of one per cent shall be paid.

17 This fee may be paid by the borrower as a cost for the loan.

18 (e) When any installment of principal and interest has
19 been due for sixty days and has not been paid by the borrower,
20 the department shall issue, on request of the private lender, a
21 check for the percentage of the overdue payment guaranteed,



1 thereby acquiring a division of interest in the collateral
2 pledged by the borrower in proportion to the amount of the
3 payment. The department shall be reimbursed for any amounts so
4 paid plus the applicable interest rate, where payment is
5 collected from the borrower.

6 (f) Upon request by the private lender, and under
7 conditions specified in rules adopted by the department, the
8 department may agree to convert a portion or all of the
9 guaranteed percentage of the principal balance of the loan to a
10 participating share held by the department.

11 (g) Should the private lender deem that foreclosure
12 proceedings are necessary to collect moneys due from the
13 borrower, it shall so notify the department in writing. Within
14 thirty days of the department's receipt of the notification, the
15 department may elect to request an assignment of the loan on
16 payment in full to the private lender of the principal and
17 interest due. Foreclosure proceedings, to the extent permitted
18 by law, shall be held in abeyance in the interim.

19 (h) The private lender may reduce the percentage of the
20 principal balance guaranteed under this section at any time.



1 (i) The department shall prescribe forms and adopt
2 administrative rules pursuant to chapter 91 to carry out the
3 purpose of this part, which may include the following:

4 (1) Prioritization of loan guarantees to promote access to
5 health care services in under-served areas of the
6 State;

7 (2) Conditions under which the State may become a co-
8 guarantor or a subordinate guarantor to a loan
9 guarantee offered by a federal government program;

10 (3) Conditions under which the guaranteed percentage of
11 the principal balance of a loan may be converted to a
12 participating share held by the department; and

13 (4) Specific types of loans that may be guaranteed
14 pursuant to this part, including term loans, hard
15 money loans, line of credit loans, equipment loans,
16 personal loans, and other types of loans that can help
17 directly or indirectly alleviate health care service
18 shortages in the State."

19 SECTION 2. This Act shall take effect upon its approval.

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INTRODUCED BY: *Robert F. ...*
[Handwritten signatures]

S.B. NO. 2441

Report Title:

Health Care Provider Loan Guarantees; Department of Health;
Special Fund

Description:

Establishes the health care provider loan guarantee special fund to be administered and expended by the department of health for the purpose of guaranteeing loans from private lenders to qualified health care providers.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

