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**ACT 264**

A Bill for an Act Relating to State Guarantee of Commercial Loans.

*Be it Enacted by the Legislature of the State of Hawaii:*

**SECTION 1. Purpose.** It is the declared policy of the Hawaii State Legislature that the State government shall encourage and assist, insofar as possible, the development of new industries and the expansion of existing industries, in order that opportunities for new and permanent employment may be created for the people of Hawaii and thus insure the preservation and betterment of the economy of the State and its people. Therefore, a loan guarantee program is created by this Act to encourage private lending institutions to make loans for the purpose of furthering economic development in the State to such businesses which do not qualify for loans from any Federal or State agency.

**SECTION 2. Definitions.** As used in this Act:

(a) "Director" shall mean the State director of the department of planning and economic development.

(b) "Eligible business" shall mean a business which is authorized to engage in business in the State and which does not meet the requirements for a loan through a Federal or State agency, but meets the standards prescribed for a State guaranteed loan as provided in Section 3 of this Act.

(c) "Federal agency" shall mean and include the United States of America, the President of the United States of America, and any department of, or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the United States of America.

(d) "State agency" shall mean any State board, commission, or department empowered by law to make loans or grants.

(e) "Private lending institution" shall mean insurance companies, trust companies, mortgage companies, banks, industrial finance companies, building and loan associations, credit unions, savings and loan associations, investment companies, savings banks, individuals, executors, administrators, guardians, conservators, trustees and other fiduciaries, including pension, retirement and profit-sharing funds.

(f) "Guaranteed loans" shall mean loans made by private lending institutions to eligible business concerns the repayment of which the State shall guarantee pursuant to Section 3 of this Act.

**SECTION 3. Guaranteed loans.** The director is authorized to guarantee loans made by private lending institutions to eligible businesses subject to the condition that each loan guaranteed under this Act shall be approved by the director under such terms and conditions consistent with the intent and purpose of this Act, and conforms to such other standards as are prescribed by rules and regulations of the director established pursuant to the provisions of Chapter 6C, Revised Laws of Hawaii 1955, as amended, provided however, that the director shall guarantee loans only to the extent that funds for the payment of loans in default are made available by legislative appropriation.

**SECTION 4. Terms and conditions of loans.** Each loan that is guaranteed under this Act shall:

(a) Be for a term of not more than 20 years; and

(b) Bear regular interest rates, not to exceed 8 per cent per annum calculated at simple interest.

**SECTION 5. Guarantee fees.** The director is authorized to fix guarantee fees. Such guarantee fees shall be computed as a percentage of the loan principal outstanding at the beginning of each year. Such guarantee fees shall not be more than 3 per cent per annum. These fees shall be deposited in a special fund in the treasury of the State of Hawaii, hereby established as the commercial loan guarantee reserve fund.

**SECTION 6. Director, duties, rules and regulations.** The director shall perform all functions necessary for the purposes of

this Act and shall prescribe rules and regulations, pursuant to chapter 6C, Revised Laws of Hawaii 1955, as amended, to carry out the provisions of this Act, including the following:

(a) Receiving, examining and determining eligibility of applications for guaranties;

(b) Prescribing qualifications for eligibility of applicants for guaranties;

(c) Establishing preferences and priorities in determining eligibility for guaranties;

(d) Establishing conditions for the making of a guaranty;

(e) Providing for inspection at reasonable hours, of the premises, books and records of an eligible business which has applied for or has been issued a guaranteed loan, and requiring the submission of progress and final reports from such eligible business and from the lender whose loan is sought to be or has been guaranteed and specifying the information to be included in such reports; and

(f) Establishing procedures for payment of loan by the State in cases of default by the eligible business and for preserving the rights of the State against such eligible business.

**SECTION 7. Effective date.** This Act shall take effect upon its approval.

(Approved July 9, 1965.) **H.B. 303.**