

## ACT 53

S. B. 330.

A Bill for an Act Relating to Farm Loans.

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

SECTION 1. This Act is hereby declared to be an urgency measure deemed necessary in the public interest within the meaning of section 11 of Article III of the Constitution of the State of Hawaii.

The following is a statement of the facts constituting such urgency:

The higher cost of operating a farm and the tight-money market have heightened the financial difficulties of farmers in our State. The ceilings set in the amount of farm loans available to eligible applicants under chapter 102 and the restriction in the interest rate which a private lender may charge on farm loans in which the department of agriculture participates, are serving to defeat the purpose of the farm loans under chapter 102 to promote the agricultural development of the State. The ceilings on the amount of the farm loans are unrealistic by today's standards because it is no longer economically feasible to operate a small farm, and the costs of labor, equipment and marketing and construction have substantially increased in recent years. Since one of the State's long-range goals is to achieve diversity in our economy by helping the farmers, it is urgent and necessary in the public interest that this bill be enacted immediately.

SECTION 2. Section 102-4, Revised Laws of Hawaii 1955, as amended, is hereby amended by adding a new subsection thereto to read as follows:

"Set the rate of interest for farm loans on the basis of availability of money within the market; provided, however, that in no case shall the rate of interest exceed the interest rate as provided for within this chapter."

SECTION 3. Section 102-5 (c), Revised Laws of Hawaii 1955, as amended, is hereby amended by amending subsection (c) to read as follows:

"(c) Interest charged on an insured loan made under the provisions of this section shall not be more than the sum of two per cent above the lowest rate of interest charged by all banks, either commercial banks within the meaning of section 178-3, Revised Laws of Hawaii 1955, as amended, or national banks excepted under section 178-10, Revised Laws of Hawaii 1955, as amended, doing business in the State of Hawaii, on unsecured short term loans made to borrowers who have the highest credit rating with such banks."

SECTION 4. Section 102-6 (c), Revised Laws of Hawaii 1955, as amended, is hereby amended to read as follows:

“(c) Interest charged on the private lender’s share of the loan shall not be more than the sum of two per cent above the lowest rate of interest charged by all banks, either commercial banks within the meaning of section 178-3, Revised Laws of Hawaii 1955, as amended, or national banks excepted under section 178-10, Revised Laws of Hawaii 1955, as amended, doing business in the State of Hawaii, on unsecured short term loans made to borrowers who have the highest credit rating with such banks.”

SECTION 5. Section 102-6 (f), Revised Laws of Hawaii 1955, as amended, is hereby amended to read as follows:

“(f) Out of interest collected, the private lender may be paid a service fee to be determined by the department which fee shall not exceed one per cent of the unpaid principal balance of the loan, provided that this fee shall not be added to any amount which the borrower is obligated to pay.”

SECTION 6. Section 102-8 (c), Revised Laws of Hawaii 1955, as amended, is hereby further amended by amending subsection (c) to read as follows:

“(c) Loans made under this section shall bear simple interest on the unpaid principal balance, charged on the actual amount disbursed to the borrower. Interest on loans of classes “A” through “C” and class “E” shall not exceed six per cent per annum; provided, if the money loaned is borrowed by the department of agriculture, State of Hawaii, then the interest on loans of such classes shall not exceed six per cent per annum or one per cent over the cost to the State of borrowing the money, whichever is greater. Interest of class “D” loans shall not exceed three per cent per annum.”

SECTION 7. There is hereby appropriated out of the general revenues of the State of Hawaii, not otherwise appropriated, the sum of \$250,000 to the Farm Loan Revolving Fund for the purpose of said fund.

SECTION 8. This Act shall take effect on July 1, 1968; provided that it shall not affect any loans in existence as of the effective date of this Act.

(Approved May 9, 1968.)