

ACT 87

H. B. NO. 2012-72

A Bill for an Act Relating to the Farm Loan Program.

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

SECTION 1. Section 155-1, Hawaii Revised Statutes, is amended to read:

“Sec. 155-1 Definitions. Whenever used in this chapter:

“(1) ‘Farm land’ means land in the State used for agricultural purposes, including general farming, cane growing, fruit growing, flower growing, grazing, dairying, the production of any form of livestock or poultry, and any other form of agricultural activity. It includes land required for an adequate farm dwelling and other essential farm buildings, roads, wasteland.

- “(2) ‘Qualified farmer’ means a person of proven farming ability who operates his own farm on land owned by him in fee or on land rented or leased from others and who is presently devoting, has recently devoted, or intends to devote at least one-third of his time or derive at least one-third of his net cash income from direct participation in farming in its broadest sense. It includes Hawaii partnerships controlled to the extent of seventy-five per cent by persons who would qualify individually and would meet the eligibility requirements of section 155-10. It also includes small corporations where at least seventy-five per cent of each class of stock issued by the corporation is owned by persons who qualify individually and would meet the eligibility requirements of section 155-10 and where seventy-five per cent of the directors are qualified farmers.
- “(3) ‘New farmer program’ means a new farm enterprise for qualified farmers, which includes persons who are displaced from employment in an agricultural production enterprise, college graduates in agriculture, members of the Hawaii Young Farmer Association and Future Farmer of America graduates with farming projects who otherwise meet the eligibility requirements of section 155-10.
- “(4) ‘Cooperative’ means a nonprofit association of farmers organized under chapter 421.
- “(5) ‘Mortgage’ includes such classes of liens on farm land and other authorized security as are approved by the department of agriculture and the credit instruments secured thereby.
- “(6) ‘Private lender’ includes banks, savings and loan associations, mortgage companies, and other qualified companies whose business includes the making of loans in the State.”

SECTION 2. Section 155-8 (c), Hawaii Revised Statutes, is amended to read:

“(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’ and class ‘F’ shall not exceed six per cent a year; provided, if the money loaned is borrowed by the department, then the interest of loans of such classes shall not exceed six per cent a year or one per cent over the cost to the State of borrowing the money, whichever is greater. Interest on class ‘D’ loans shall not exceed three per cent a year.”

SECTION 3. Section 155-9, Hawaii Revised Statutes, is amended to read:

“**Sec. 155-9 Classes of loans; purposes, terms, eligibility.** Loans made under this chapter shall be for the purposes and in accordance with the terms specified in classes ‘A’ through ‘F’ in the subdivisions following and shall be made only to applicants who meet the eligibility requirements specified therein and except as to class ‘B’ loans to associations and class ‘E’ loans, the eligibility requirements specified in section 155-10.

- “(1) Class A: Farm ownership and improvement loans. To provide for:
- (A) The purchase or improvement of farm land;
 - (B) The purchase, construction, or improvement of adequate farm dwellings, and other essential farm buildings;
 - (C) The liquidation of indebtedness incurred for any of the foregoing purposes.

Such loans shall be for an amount not to exceed \$100,000 and for a term not to exceed forty years. To be eligible the applicant shall (A) derive, or present an acceptable plan to derive, a major portion of his income from and devote, or intend to devote, most of his time to farming operations; (B) have or be able to obtain the operating capital, including livestock and equipment, needed to successfully operate his farm.

- “(2) Class B: Soil and water conservation loans. To provide for:
- (A) Soil conservation practices;
 - (B) Water development, conservation, and use;
 - (C) Drainage;
 - (D) The liquidation of indebtedness incurred for any of the foregoing purposes.

Such loans shall be for an amount not to exceed \$35,000 to an individual or \$200,000 to an association and shall be for a term not to exceed twenty years for a loan to an individual and forty years to an association. To be eligible an individual applicant shall have sufficient farm and other income to pay for farm operating and living expenses and to meet payments on his existing debts, including the proposed soil and water conservation loan. An association, to be eligible, shall be a nonprofit organization primarily engaged in extending services directly related to the purposes of the loan to its members, and at least sixty per cent of its membership shall meet the eligibility requirements specified in section 155-10.

- “(3) Class C: Farm operating loans. To carry on and improve a farming operation, including:
- (A) The purchase of farm equipment and livestock;
 - (B) The payment of production and marketing expenses including materials, labor, and services;
 - (C) The payment of living expenses;
 - (D) The liquidation of indebtedness incurred for any of the foregoing purposes.

Such loans shall be for an amount not to exceed \$75,000 and for a term not to exceed ten years. To be eligible, an applicant shall derive or present an acceptable plan to derive a major portion of his income from and devote, or intend to devote, most of his time to farming operations.

- “(4) Class D: Emergency loans. To provide relief and rehabilitation to qualified farmers without limit as to purpose:
- (A) In areas stricken by extraordinary rainstorms, windstorms,

droughts, tidal waves, earthquakes, volcanic eruptions, and other natural catastrophes;

- (B) On farms stricken by livestock disease epidemics and crop blights;
- (C) On farms seriously affected by prolonged shipping and dock strikes;
- (D) During economic emergencies caused by overproduction, excessive imports, and the like.

Such loans shall not exceed the maximum amounts and the maximum period specified in subdivisions (1) to (3) respectively, above, when the loan funds are used for the purposes specified therein.

“(5) Class E: Loans to cooperatives and corporations. To provide credit to farmers’ cooperative associations and corporations engaged in marketing, purchasing, and processing, and providing farm business services, including:

- (A) Facility loans to purchase or improve land, building, and equipment for an amount not to exceed \$250,000 and a term not to exceed twenty years;
- (B) Operating loans to finance inventories of supplies, warehousing, and shipping commodities, extension of consumer credit to justified farmer-members, and other normal operating expenses for an amount not to exceed \$150,000 and a term not to exceed three years.

To be eligible, a cooperative or corporation shall have at least seventy-five per cent of its board of directors and seventy-five per cent of its membership as shareholders who meet the eligibility requirements of section 155-10 and who devote most of their time to farming operations.

“(6) Class F: Loans for new farmer program. To provide for costs of a new farm enterprise for qualified farmers.

- (A) Initial loans made under this class shall be for purposes and in accordance with the terms specified in classes ‘A’ and ‘C’ only, and shall be made only for full time farming. Such loans shall be made for an amount not to exceed \$75,000 or 90 per cent of the cost of the project, whichever is the lesser.
- (B) Any subsequent loan shall be made from classes (A) to (D), respectively, depending upon the purpose for which the loan funds are used.
- (C) Borrowers must comply with such special term loan agreements as may be required by the department and shall take such special training courses as the department deems necessary.”

SECTION 4. There is appropriated out of monies in the treasury received from general obligation bond funds the sum of \$2,000,000, or so much thereof as may be necessary, to the farm loan revolving fund as provided in section 155-14, Hawaii Revised Statutes, for the purpose of this Act. The director of finance is authorized to issue general obligation bonds of the State in the amount of \$2,000,000 to be used for the purposes of this Act.

SECTION 5. Material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material, or the underscoring.*

SECTION 6. This Act shall take effect on July 1, 1972.

(Approved May 19, 1972.)

*Edited accordingly.