

## ACT 234

H.B. NO. 2147-76

A Bill for an Act Relating to Loans Insured by the Department of Agriculture.

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

SECTION 1. Section 155-5, Hawaii Revised Statutes, is amended to read:

**“Sec. 155-5 Loans insured by the department.** (a) The department of agriculture may insure up to ninety per cent of the principal balance of a loan, plus interest due thereon, made to a qualified farmer by a private lender who is unable otherwise to lend the applicant sufficient funds at reasonable rates.

(b) Loans insured under this section shall be limited by the provisions of sections 155-9 through 155-13 for purposes of class “A” through class “E”.

(c) Interest charged on an insured loan made under the provisions of this section shall be determined by the department of agriculture based on the market rate of interest charged by the private lender for similar type of loan.

(d) When the application for an insured loan has been approved by the department, the department shall issue to the lender a guaranty for that percentage of the loan on which it insures payment of principal and interest. The lender shall collect all payments from the borrower and otherwise service the loan.

(e) In return for the department's guaranty, the lender shall remit out of interest collected an insurance fee of one-half of one per cent a year on the unpaid principal balance of the insured portion of the loan, provided that this fee shall not be added to any amount which the borrower is obligated to pay.

(f) When any installment of principal and interest has been due for sixty days and has not been paid by the borrower, the department shall issue, on request of the lender, a check for the percentage of the overdue payment guaranteed, thereby acquiring a division of interest in the collateral pledged by the borrower in proportion to the amount of the payment. The department shall be reimbursed for any amounts so paid plus the applicable interest rate, where payment is collected from the borrower.

(g) Under conditions specified in regulations of the department, the lender may request that a portion or all of the guaranteed percentage of the principal balance of the loan be converted to a participating share held by the department subject to section 155-6.

(h) Should the lender deem that foreclosure proceedings are necessary to collect moneys due from the borrower, it shall so notify the department. Within thirty days of the notification, the department may elect to request an assignment of the loan on payment in full to the lender of the principal balance and interest due. Foreclosure proceedings shall be held in abeyance in the interim.

(i) The lender may reduce the percentage of the principal balance insured under this section at any time."

SECTION 2. Statutory 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 3. This Act shall take effect upon approval.

(Approved June 9, 1976.)

---

\*Edited accordingly.