

ACT 222

S.B. NO. 625

A Bill for an Act Relating to Agricultural Loans.

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

SECTION 1. Section 155-5, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

“(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 or qualified new farmer by a private lender who is unable to otherwise lend the applicant sufficient funds at reasonable rates; provided that at no time shall the aggregate amount of the State’s liability, contingent or otherwise, on loans insured under this section and section 155-6 exceed \$10,000,000.

(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”.] “F”.”

SECTION 2. Section 155-6, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

“(a) The department of agriculture may provide funds for a share, not to exceed ninety per cent, of the principal amount of a loan made to a qualified farmer or qualified new farmer by a private lender who is unable otherwise to lend the applicant sufficient funds at reasonable rates where the qualified farmer or qualified new farmer is unable to obtain sufficient funds for the same purpose from the Farmers Home Administration.

(b) Participating loans under this section shall be limited by sections 155-9 to 155-13 for purposes of class “A” through class [“E”,] “F”, the department’s share not to exceed the maximum amounts specified therefor.”

SECTION 3. Section 155-8, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) The department of agriculture may make loans directly to qualified farmers or qualified new farmers who are unable to obtain sufficient funds at reasonable rates from private lenders either independently or under sections 155-5 and 155-6, or from the Farmers Home Administration either directly or under section 155-7.”

SECTION 4. Section 155-9, Hawaii Revised Statutes, is amended to read as follows:

“§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 paragraphs 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. The maximum amount of a loan for class “A”, “C”, “D”,<sup>1</sup> and “F” loans to an individual applicant shall also apply to any loan application submitted by a partnership, corporation, or other entity, and for the purpose of determining whether the maximum loan amount to any individual will be exceeded, outstanding loans to any partnership, corporation, or other entity in which such individual has a legal or equitable interest in excess of twenty per cent shall be taken into account.

- (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; and
  - (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 the applicant’s income from and devote, or intend to devote, most of the applicant’s time to farming operations; (B) have or be able to obtain the operating capital, including livestock and equipment, needed to successfully operate the applicant’s farm.

- (2) Class B: Soil and water conservation loans. To provide for:
  - (A) Soil conservation practices;
  - (B) Water development, conservation, and use;
  - (C) Drainage; and
  - (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 the applicant’s 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; and
  - (D) 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 ten years. To be eligible, an applicant shall derive, or present an acceptable plan to derive, a major portion of the applicant's income from and devote, or intend to devote, most of the applicant's 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; and
  - (E) During other emergencies as determined by the board of agriculture.

The maximum amounts and period for such loans shall be determined by the board of agriculture; provided that the board shall require that any settlement or moneys received by qualified farmers as a result of an emergency declared under this section shall first be applied to the repayment of an emergency loan made under this chapter.

- (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 \$500,000 and a term not to exceed twenty years; and
  - (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 to not<sup>1</sup> exceed \$300,000 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, and such facility loans shall be for an amount not to exceed \$500,000 or eighty per cent of the cost of the project, whichever is the lesser.

- (6) Class F: Loans for new farmer programs. To provide for costs of a new farm enterprise for qualified new 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

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be made for an amount not to exceed \$100,000 or eighty-five 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; and
- (C) Borrowers shall 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 5. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 6. This Act shall take effect upon its approval.

(Approved June 8, 1989.)

### Note

1. So in original.