

ACT 51

H.B. NO. 2996

A Bill for an Act Relating to Agricultural Loans.

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

SECTION 1. The legislature finds that a substantial number of individuals and families are undertaking agricultural production on a part-time basis to supplement earnings obtained from full-time employment by one or more members of the household. In many instances, the individual and family are dependent upon farm earnings to make ends meet and provide other amenities for the family. With the uncertainties involved in farming, such as market demand, prices, government regulations, and weather, these people find that they are not able to leave the security of a steady income provided by their full-time employment and the benefits provided by their employer, especially medical coverage. Many part-time farmers want to expand their farm production as their limited operations are profitable.

Current government programs are tailored for full-time farming, consequently leaving these entrepreneurial and hard-working individuals with limited avenues for funding their operation. A loan program to assist part-time farmers would not only enable these individuals to expand their farming enterprise, but would increase the export potential of certain crops, as many part-time farmers are nurturing crops that are exportable. Exportable crops include fruits (papayas), ornamentals (orchids for cut flower and potted plants, and certified potted foliage), and plants with pharmaceutical qualities (awa root). Moreover, increasing exports would be beneficial to the state economy.

Farming activities today are increasingly being undertaken by recent immigrants to the State. Many of these immigrants are already skilled in farming techniques and have taken up farming as a livelihood. These immigrants are the "new wave" of farmers, as older farming generations are ceasing their farming activities, and turning their farmland into more profitable urban investments.

The legislature also finds that diversified agriculture is undergoing a significant period of transition and is a dynamic growth industry. With the closures of most of the State's sugar plantations, prime agricultural land, water, and an agriculturally-oriented labor force are now available for diversified agricultural development and expansion. As diversified agriculture grows, there will be a greater need to utilize and market the expected increase in agricultural production.

One of the primary ways to utilize the increase in production is through further development of value-added products. Processing and manufacturing present unlimited opportunities to sell agricultural products to vast export markets. Unlike fresh agricultural products, processed products are not restricted in shipment to export markets by quarantine regulations pertaining to pests, such as fruit flies. In addition, processed agricultural products are generally less perishable, allowing for greater ease in transport and shipment. A strong link exists between the production

of agricultural products at the farm and the processing and marketing of those products. Just as there is a need for financing for farm enterprises, a need for financing also exists for the processing and manufacturing of agricultural products.

The purpose of this Act is to expand the agricultural loan program by:

- (1) Reducing state residency requirements for permanent resident aliens seeking financing under the State's agricultural loan program; and
- (2) Enabling qualified part-time farmers, and food manufacturers located in the State who use Hawaii-grown agricultural products, to obtain loans under the agricultural loan program.

SECTION 2. Section 155-1, Hawaii Revised Statutes, is amended to read as follows:

“§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 the person's own farm on land owned by the person in fee or on land rented or leased from others and who is presently devoting, has recently devoted, or intends to devote most of the person's time or who derives a major portion of the person's 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. It also includes corporations incorporated in the State primarily for agricultural production purposes; actively engaged in agricultural production for a minimum of two years; and with at least seventy-five per cent of each class of stock owned by residents of this State.
- (3) “New farmer program” means a new farm enterprise for qualified new farmers, including persons who are displaced from employment in an agricultural production enterprise, college graduates in agriculture, community college graduates in agriculture, and members of the Hawaii Young Farmer Association and Future Farmer of America graduates with farming projects, persons who have not less than two years' experience as part-time farmers, persons who have been farm tenants or farm laborers, or other individuals who have for the two years last preceding their application obtained the major portion of their income from farming operations, and persons who by reason of ability, experience, and training as vocational trainees are likely to successfully operate a farm, 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]¹ 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, credit unions, mortgage companies, and other qualified companies whose business includes the making of loans in the State.]

“Cooperative” means a nonprofit association of farmers organized under chapter 421.

“Farm land” means land 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, and wasteland.

“Food manufacturers” means entities that process Hawaii-grown agricultural products or that utilize Hawaii-grown agricultural products as an ingredient in the manufacturing process. Processed and manufactured agricultural food products include items such as chips, dairy products, guava and papaya puree, macadamia nut products, fruit drinks, juices, nectars, jams, jellies, packaged coffee, processed vegetables, freeze-dried and fresh poi, processed meat products, cookies, and candies.

“Mortgage” includes classes of liens on farm land and other authorized security as are approved by the department of agriculture and the credit instruments secured thereby.

“New farmer program” means a new farm enterprise for qualified new farmers, including persons who are:

- (1) Displaced from employment in an agricultural production enterprise;
- (2) College graduates in agriculture;
- (3) Community college graduates in agriculture;
- (4) Members of the Hawaii Young Farmer Association and Future Farmer of America graduates with farming projects;
- (5) Persons who have not less than two years’ experience as part-time farmers;
- (6) Persons who have been farm tenants or farm laborers;
- (7) Other individuals who for the two years last preceding their application have obtained the major portion of their income from farming operations; and
- (8) Persons who by reason of ability, experience, and training as vocational trainees are likely to successfully operate a farm, who otherwise meet the eligibility requirements of section 155-10.

“Part-time farmer” means a person of proven farming ability who:

- (1) Has been operating the person’s farm for at least two years on land owned by the person in fee or on land rented or leased from others;
- (2) Is presently devoting a portion of the person’s time to farming; and
- (3) Derives between twenty-five to fifty per cent of the person’s net cash income from direct participation in farming in its broadest sense.

“Private lender” includes banks, savings and loan associations, credit unions, mortgage companies, and other qualified companies whose business includes the making of loans in the State.

“Qualified farmer” means a person of proven farming ability who operates the person’s own farm on land owned by the person in fee or on land rented or leased from others and who is presently devoting, has recently devoted, or intends to devote most of the person’s time or who derives a major portion of the person’s net cash income from direct participation in farming in its broadest sense. It includes:

- (1) 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;
- (2) 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; and
- (3) Corporations incorporated in the State primarily for agricultural production purposes; actively engaged in agricultural production for a minimum of two years; and with at least seventy-five per cent of each class of stock owned by residents of this State.”

SECTION 3. Section 155-2, Hawaii Revised Statutes, is amended to read as follows:

“§155-2 Objectives. One of the objectives of the department of agriculture shall be to promote the agricultural development of the State by stimulating, facilitating, and granting loans to qualified farmers[,] and food manufacturers.

The department shall encourage the growth, development, and [well being] well-being of agriculture in the State by [maximizing]:

- (1) Maximizing the use of limited state funds and resources in encouraging development of new farmers and new crops; [assisting]
- (2) Assisting qualified farmers and food manufacturers with loans; [encouraging]
- (3) Encouraging private lenders to make loans to qualified farmers and food manufacturers directly, or in cooperation, or in participation with the State; and [providing]
- (4) Providing relief to farmers in times of emergencies.

The department shall also establish standards and criteria pursuant to which loans may be provided to qualified farmers and food manufacturers who cannot secure credit from other sources at reasonable rates and terms. Any assessment of the program shall consider its purpose and intent [which] that involves credit risk beyond that of banks and other private lenders, and [such] the assessment shall be based on standards of similar programs.”

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

“§155-4 Powers and duties of the department. The department of agriculture shall have the following powers:

- (1) Employ a secretary, who may be exempt from chapters 76 and 77, and [such] other full-time and part-time employees, subject to chapters 76 and 77, as are necessary to effectuate the purposes of this chapter, subject further to the limitation of funds in the agricultural loan reserve fund;
- (2) Designate [such] agents throughout the State as may be necessary for property appraisal, the consideration of loan applications, and the supervision of farming operations of borrowers. The agents may be compensated for their services at [such] rates [as] the department in its discretion may fix;
- (3) Initiate and carry on a continuing research and education program, utilizing and coordinating the services and facilities of other government agencies and private lenders to the maximum, to inform qualified farmers concerning procedures for obtaining loans and to inform pri-

- vate lenders concerning the advantages of making loans to qualified farmers;
- (4) Cooperate with private and federal government farm loan sources to increase the amount of loan funds available to qualified farmers in the State;
 - (5) Assist individual qualified farmers in obtaining loans from other sources. Insofar as available funds and staff permit, counsel and assist individual farmers in establishing and maintaining proper records to prove their farming ability for loan purposes;
 - (6) Insure loans made to qualified farmers and food manufacturers by private lenders under section 155-5;
 - (7) Participate in loans made to qualified farmers and food manufacturers by private lenders under section 155-6;
 - (8) Make direct loans to qualified farmers and food manufacturers under section 155-8;
 - (9) Borrow money for loan purposes;
 - (10) Assign and sell mortgages;
 - (11) Hold title to, maintain, use, manage, operate, sell, lease, or otherwise dispose of personal and real property acquired by way of foreclosure, voluntary surrender, or otherwise, to recover moneys loaned;
 - (12) Sue and be sued in the name of the "State of Hawaii";
 - (13) Exercise [such] incidental powers as are deemed necessary or requisite to fulfill its duty in carrying out the purposes of this chapter;
 - (14) Delegate authority to its chairperson to approve loans, where the requested amount plus any principal balance on existing loans to the applicant, does not exceed \$25,000 of state funds; and
 - (15) Adopt rules pursuant to chapter 91 necessary for the purpose of this chapter."

SECTION 5. 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, or qualified food manufacturer 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 "F"[.]; provided that class "E" loans to food manufacturers shall not be subject to section 155-10."

SECTION 6. Section 155-5.5, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

"(a) The department of agriculture may guarantee up to ninety per cent of the principal balance of a loan, plus interest due thereon, made to a qualified farmer, qualified food manufacturer, or cooperative by a private lender; provided that at no time shall the aggregate amount of the State's liability, contingent or otherwise, on loans guaranteed under this section[, section] and sections 155-5, [and section] 155-6, and 155-6.5 exceed \$10,000,000.

(b) Loans guaranteed under this section shall be limited by the provisions of sections 155-9 through 155-13 for purposes of [class] classes "A", "B", "C", and

“E”[.]; provided that class “E” loans to food manufacturers shall not be subject to section 155-10. No class “D” and “F” loans shall be made under this section.”

SECTION 7. 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, or qualified food manufacturer by a private lender who is unable otherwise to lend the applicant sufficient funds at reasonable rates.

(b) Participating loans under this section shall be limited by sections 155-9 to 155-13 for purposes of class “A” through class “F”, the department’s share not to exceed the maximum amounts specified therefor[.]; provided that class “E” loans to food manufacturers shall not be subject to section 155-10.”

SECTION 8. Section 155-6.5, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (a) to read:

“(a) The department of agriculture, for a fee, may underwrite and service loans for cooperating private lenders and government loan programs providing loan funds to qualified farmers[.] and qualified food manufacturers. All fees shall be deposited into the agricultural loan reserve fund.”

2. By amending subsection (c) to read:

“(c) Loans underwritten or serviced under this section shall be limited by sections 155-1 and 155-9 to 155-12[.]; provided that class “E” loans to food manufacturers shall not be subject to section 155-10. No class “D” and “F” loans shall be underwritten or serviced under this section.”

SECTION 9. Section 155-8, Hawaii Revised Statutes, is amended by amending subsections (a), (b), and (c) to read as follows:

“(a) The department of agriculture may make loans directly to qualified farmers [or], qualified new farmers, or qualified food manufacturers who are unable to obtain sufficient funds at reasonable rates from private lenders either independently or under sections 155-5, 155-5.5, and 155-6.

(b) Loans made under this section shall be limited by sections 155-9 to 155-13[.]; provided that class “E” loans to food manufacturers shall not be subject to 155-10.

(c) Loans made under this section shall bear simple interest on the unpaid principal balance, charged on the actual amount disbursed to the borrower. The interest rate on loans of [classes] class “A”, “B”, “C”, [and] “E”, and “G” shall be at a rate of one per cent below the prime rate or at a rate of seven and one-half per cent a year, whichever is less. For purposes of this subsection, the prime rate shall be determined on January 1 and July 1 of each year, and shall be the prime rate charged by the two largest banks in the State identified by the department of commerce and consumer affairs. If the prime rates of the two largest banks are different, the lower prime rate of the two shall apply. The interest rate on class “F” loans shall be six per cent a year. If the money loaned is borrowed by the department, then the interest on loans of [such] the classes shall be the rate as determined above or one per cent over the cost to the State of borrowing the money, whichever is greater. Interest on class “D” loans shall not be less than three per cent a year.”

SECTION 10. Section 155-9, Hawaii Revised Statutes, is amended to read as follows:

“§155-9 Classes of loans; purposes, terms, eligibility. (a) Loans made under this chapter shall be for the purposes and in accordance with the terms specified in classes “A” through “F” in this section 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”, 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] that the individual has a legal or equitable interest in excess of twenty per cent shall be taken into account.

(b) Class A: Farm ownership and improvement loans shall provide for:

- (1) The purchase or improvement of farm land;
- (2) The purchase, construction, or improvement of adequate farm dwellings, and other essential farm buildings; and
- (3) The liquidation of indebtedness incurred for any of the foregoing purposes.

The loans shall be for an amount not to exceed \$400,000 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; and (B) have or be able to obtain the operating capital, including livestock and equipment, needed to successfully operate the applicant’s farm.

(c) Class B: Soil and water conservation loans shall provide for:

- (1) Soil conservation practices;
- (2) Water development, conservation, and use;
- (3) Drainage; and
- (4) The liquidation of indebtedness incurred for any of the foregoing purposes.

The 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.

(d) Class C: Farm operating loans shall be for the purpose of carrying on and improving a farming operation, including:

- (1) The purchase of farm equipment and livestock;
- (2) The payment of production and marketing expenses including materials, labor, and services;
- (3) The payment of living expenses;
- (4) The liquidation of indebtedness incurred for any of the foregoing purposes; and
- (5) The exportation of crops and livestock.

The loans shall be for an amount not to exceed \$400,000 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.

Qualified farmers affected by state eradication programs may also be eligible for loans under this subsection. Loans made for rehabilitation from eradication

programs shall be subject to the terms of class "C" loans; provided that the interest rate shall be three per cent a year and the requirements in section 155-3 shall be waived and paragraph (4) shall not apply.

(e) Class D: Emergency loans shall be for the purpose of providing relief and rehabilitation to qualified farmers without limit as to purpose:

- (1) In areas stricken by extraordinary rainstorms, windstorms, droughts, tidal waves, earthquakes, volcanic eruptions, and other natural catastrophes;
- (2) On farms stricken by livestock disease epidemics and crop blights;
- (3) On farms seriously affected by prolonged shipping and dock strikes;
- (4) During economic emergencies caused by overproduction, excessive imports, and the like; and
- (5) During other emergencies as determined by the board of agriculture.

The maximum amounts and period for the 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.

(f) Class E: Loans to farmers' cooperatives [and], corporations, and food manufacturers shall provide credit to [farmers' cooperative associations and corporations] entities engaged in marketing, purchasing, and processing, and providing farm business services, including:

- (1) 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;
- (2) Operating loans to finance inventories of supplies[,] and materials, warehousing, and shipping commodities, extension of consumer credit to justified farmer-members, and other normal operating expenses for an amount not to exceed \$300,000 and a term not to exceed seven years; and
- (3) The exportation of crops and livestock.

To be eligible, a farmers' cooperative or corporation shall have a majority of its board of directors and a majority 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 the 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.

To be eligible, a food manufacturer shall be licensed to do business in the State, and the controlling interest of the entity shall possess a minimum of two years of relevant processing or manufacturing experience as acceptable to the department of agriculture. The entity shall process Hawaii-grown agricultural products or use Hawaii-grown agricultural products as an ingredient in the manufacturing process. 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. The requirements in section 155-10 shall be waived for food manufacturing loans; however, the entity shall be a sound credit risk with the ability to repay the money borrowed.

(g) Class F: Loans for new farmer programs shall provide for costs of a new farm enterprise for qualified new farmers:

- (1) Initial loans made under this class shall be for purposes and in accordance with the terms specified in [classes] class "A" and "C" only, and shall be made only for full-time farming. The loans shall 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;

- (2) Any subsequent loan shall be made from classes "A" to "D", respectively, depending upon the purpose for which the loan funds are used; and
- (3) 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.

(h) Class G: Loans to part-time farmers shall be for farm improvement and operating purposes for carrying on and improving farming operations, including loans for:

- (1) The purchase, construction, and improvement of farm production and growing structures;
- (2) The purchase of farm equipment or livestock; and
- (3) The payment of production and marketing expenses, including materials, labor, and services.

The liquidation of indebtedness incurred for any of the purposes under this subsection and for living expenses shall not be authorized purposes. Each loan shall be for an amount not to exceed \$25,000 and for a term not to exceed ten years."

SECTION 11. Section 155-10, Hawaii Revised Statutes, is amended to read as follows:

"§155-10 General eligibility requirements for loans. To be eligible for loans under this chapter, an applicant shall be:

- (1) A qualified farmer, [or] a person under the new farmer program[;], or a part-time farmer;
- (2) A citizen of the United States who has resided in the State for at least three years, or any permanent resident alien who has resided in the State for at least [five] three years; provided that this requirement shall not apply to applicants for class "D" loans who otherwise qualify. In the case of partnerships and corporations, the residence requirement must be met by seventy-five per cent of the members or stockholders;
- (3) A sound credit risk with the ability to repay the money borrowed; and
- (4) Willing to carry out recommended farm management practices."

SECTION 12. Section 155-11, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (a) to read:

"(a) Loans made under this chapter [shall] may be secured by duly recorded first mortgages upon the following property within the State:

- (1) Fee simple [farm] land;
- (2) Leaseholds of [farm] land where the lease has an unexpired term at least two years longer than the term of the loan;
- (3) Crops, livestock, and equipment; and
- (4) Other chattels."

2. By amending subsection (e) to read:

"(e) In case of the sale or transfer of the mortgaged land or goods [in which] that the department has a security interest, as that term is defined in section 490:1-201(37), the department may permit the mortgage or encumbrance to be assumed by the purchaser. In case of the death of the borrower, the borrower's heir or heirs, or the borrower's legal representative or representatives, shall have the option within six months of the death to assume the mortgage of the deceased. The department or its agents may, pending the exercise of the option and pending possession being taken by the heirs or representatives, take possession of all mortgaged property and carry on the [agricultural] operation connected therewith, and the expense of the

same shall be added to the principal due upon the mortgage to bear interest at the applicable rate.”

SECTION 13. Section 155-12, Hawaii Revised Statutes, is amended to read as follows:

“**§155-12 Conditions.** Every borrower who is granted a loan under this chapter shall comply with the following conditions:

- (1) Expend no portion of the borrower’s loan for purposes other than those sanctioned by the department of agriculture[.];
- (2) Carry out recommended [farm] management practices, including the keeping of proper records[.];
- (3) Not sell or otherwise dispose of the mortgaged property except on written consent of the lender, and except upon [such] conditions as may be prescribed in writing by the lender[.];
- (4) Undertake to pay, when due, all taxes, liens, judgments, or assessments [which] that may be lawfully assessed against the property mortgaged, together with the costs and expense of any foreclosure of [such] the mortgage[.];
- (5) Keep insured to the satisfaction of the department all buildings and other insurable property covered by the mortgage. Insurance shall be made payable to the mortgagee as its interests may appear at the time of the loss. At the option of the lender, and subject to the general regulations of the department, sums so received may be used to pay for reconstruction of the buildings destroyed, or for decreasing the amount of the indebtedness[.];
- (6) Keep buildings in good repair; provide proper care for improvements, stock, and implements; keep land free from noxious weeds; and practice good systems of husbandry[.];
- (7) All of the above conditions shall be held and construed to be a provision of any mortgage executed by virtue of this chapter whether appearing as a provision of the mortgage or not[.]; and
- (8) If the borrower is in default in respect to the above conditions, or any other conditions, or any other condition or covenant of the mortgage, the whole of the loan shall, at the option of the lender become due and payable forthwith. The lender may, with or without notice, take possession of the mortgaged property pending a foreclosure and may carry on [agricultural] the business pursuits upon the mortgaged premises, expending all reasonable sums therefor. [Such] The sums shall be a lien on the mortgaged premises and be recoverable in any foreclosure proceedings or otherwise. The lender may foreclose the mortgage by any method provided for by law.”

SECTION 14. Section 171-14.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

“(b) Any other law to the contrary notwithstanding, to be eligible to bid in an auction for agricultural or pasture leases, a potential bidder shall be a bona fide individual farmer or a nonindividual farm concern:

- (1) Who has spent not less than two years, full-time, in farming operations; [or]
- (2) Who is an owner-operator of an established farm conducting a substantial farming operation; [or]
- (3) Who for a substantial period of the individual’s adult life resided on a farm and depended on farm income for a livelihood; [or]

ACT 51

- (4) Who is an individual who has been a farm tenant or farm laborer or other individual, who has for the two years last preceding the auction obtained the major portion of their income from farming operations; [or]
- (5) Is an individual with a college degree in agriculture; [or]
- (6) Is an individual who by reason of ability, experience, and training as a vocational trainee is likely to successfully operate a farm; [or]
- (7) Who has qualified for and received a commitment for a loan under the Bankhead-Jones Farm Tenant Act as amended, or as may hereafter be amended, for the acquisition of a farm; [or]
- (8) Who is an individual who is displaced from employment in an agricultural production enterprise; [or]
- (9) Who is a member of the Hawaii Young Farmer Association or a Future Farmer of America graduate with two years of training with farming projects; [or]
- (10) Who possesses the qualifications under the new farmer program pursuant to section [155-1(3)] 155-1; or
- (11) Who possesses [such] other qualifications as the board of land and natural resources may prescribe pursuant to section 171-6 and this section.”

SECTION 15. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 16. This Act shall take effect upon its approval.

(Approved April 26, 2000.)

Note

1. So in original.