

ACT 104

An Act Amending Chapter 102 of the Revised Laws of Hawaii 1955, as Amended, by Changing Certain Provisions Relative to the Making of Farm Loans.

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

SECTION 1. Chapter 102 of the Revised Laws of Hawaii 1955, as amended, is hereby amended as follows:

(a) Section 102-1(b) is amended to read:

“b. ‘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 102-10. 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 102-10 and where seventy-five per cent of the directors are qualified farmers."

(b) Section 102-1(c) and section 102-1(d) are deleted and section 102-1(e), (f) and (g) are relettered sections 102-1(c), (d) and (e) respectively.

(c) Section 102-5(b) is amended to read as follows:

"b. Loans insured under this section shall be limited by the provisions of sections 102-9 through 102-13 for purposes of classes 'A' through class 'E'."

(d) Section 102-5(c) is amended to read as follows:

"Interest charged on an insured loan made under the provisions of this section shall not be more than one and one-half per cent higher than for similar loans made directly by the State under section 102-8 or six and one-half per cent, whichever is the lesser."

(e) The last sentence of section 102-5(f) is amended to read as follows:

"The Department of Economic Development shall be reimbursed for any amounts so paid plus the applicable interest rate, where payment is collected from the borrower."

(f) Section 102-6(a) is amended to read as follows:

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

(g) Section 102-6(b) is amended to read as follows:

"b. Participating loans under this section shall be limited by the provisions of sections 102-9 through 102-13 for purposes of classes 'A' through class 'E', the department of economic development's share not to exceed the maximum amounts specified therefor."

(h) The second sentence of section 102-6(c) is amended to read as follows:

"Interest charged on the private lender's share of the loan shall not be more than one and one-half per cent higher than the interest on the State's share, or six and one-half per cent, whichever is the lesser."

(i) Section 102-7(b) is amended to read as follows:

"b. Loans made under this section shall be limited by the provisions of sections 102-9 through 102-13 as they apply to class 'A' and class 'B' loans."

(j) Section 102-8(c) is amended 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 five per cent per annum; provided, however, if the money loaned is borrowed by the department of economic development, State of Hawaii, then the interest on loans of such classes shall not exceed five per cent per annum

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 per annum."

(k) Section 102-9 is amended to read as follows :

"102-9. 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 'E' in the subsections 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 102-10.

a. Class A: Farm ownership and improvement loans. To 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; (3) the liquidation of indebtedness incurred for any of the foregoing purposes. Such loans shall be for an amount not to exceed \$60,000 and for a term not to exceed forty years. To be eligible the applicant shall (1) 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; (2) have or be able to obtain the operating capital, including livestock and equipment, needed to successfully operate his farm.

b. Class B: Soil and water conservation loans. To provide for (1) soil conservation practices; (2) water development, conservation, and use; (3) drainage; (4) 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 non-profit 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 102-10.

c. Class C: Farm operating loans. To carry on and improve 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. Such loans shall be for an amount not to exceed \$30,000 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.

d. Class D: Emergency Loans. To provide 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. Such loans shall not exceed the maximum amounts and the maximum period speci-

fied in subsections 'a' through 'c' respectively, above, when the loan funds are used for the purposes specified therein.

e. 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 (1) facility loans to purchase or improve land, building, and equipment for an amount not to exceed \$100,000 and a term not to exceed twenty years; (2) operating loans to finance inventories of supplies, warehousing and shipping of commodities, extension of consumer credit to justified farmer-members, and other normal operating expenses for an amount not to exceed \$50,000 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 102-10 and who devote most of their time to farming operations."

(l) Section 102-10 is amended to read as follows:

Section 102-10. General eligibility requirements for loans. To be eligible for loans under this chapter, an applicant shall be:

a. A qualified farmer;

b. A citizen of the United States who has resided in the State for at least three years, or any alien who has resided in the State for at least five years; provided, however, 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 who are qualified farmers;

c. A sound credit risk with the ability to repay the money borrowed;

d. Willing to carry out recommended farm management practices."

(m) Section 102-11(c) is amended to read as follows:

"c. For purposes of class 'A', class 'B', and class 'E' facility loans, no loan shall exceed 85 per cent of the value of the security offered; for purposes of class 'C' loans and class 'E' operating loans, the ratio of loan to the value of the security offered shall be discretionary with the director, for purposes of class 'D' loans, the director may, with the approval of the governor, modify or waive any or all security requirements or any limitation with respect thereto."

(n) Section 102-12(e) is amended by replacing the word "borrower" appearing therein with the word "lender".

(o) Section 102-13(d) is amended by changing the class of loan referred to from "class 'D'" to "class 'C'".

(p) Section 102-13(e) is amended by changing the class of loan referred to from "class 'E'" to "class 'D'".

(q) Section 102-11(d) is rescinded.

SECTION 2. Chapter 102 of the Revised Laws of Hawaii 1955, as amended, is further amended by adding a new section, to be appropriately numbered, reading as follows:

"Sec. . Restriction. Loans provided for by this chapter shall be authorized only if such loans cannot be made by the Farm and Home Administration."

SECTION 3. This Act shall take effect upon its approval.

(Approved May 23, 1961.) S.B. 8.