

ACT 76

A Bill for an Act Establishing the Hawaii Capital Loan Program.

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

SECTION 1. Purpose. The purpose of the Hawaii capital loan program is intended to provide another medium through which the department of planning and economic development may implement its responsibilities in encouraging and promoting basic commercial and industrial activities in the State in order that the economic well-being of the people may be realized.

SECTION 2. Definitions. As used in this Act:

(a) "Director" means the director of the department of planning and economic development.

(b) "SBA" means the Small Business Administration of the United States Government.

(c) "Small business concern" shall mean such business concerns that are defined in the Small Business Act, as amended (P. L. 87-367) and classified by the SBA in its size standards.

(d) "Department" shall mean the department of planning and economic development.

SECTION 3. Hawaii capital loan program. There is hereby created a capital loan program which shall be administered by the director of the department in accordance with the spirit and intent of this Act.

SECTION 4. Hawaii capital loan revolving fund. There is hereby established the Hawaii capital loan revolving fund into which shall be deposited all monies received as repayment of loans and interest payments as provided for in this Act.

SECTION 5. Functions, powers, and duties of director. In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the director may:

(a) Prescribe rules and regulations to carry out the provisions of this Act.

(b) To perform all functions necessary to effectuate the purposes of this Act.

SECTION 6. Rules and regulations. The rules and regulations shall:

(a) Prescribe the qualifications for eligibility of applicants for loans.

(b) Establish preferences and priorities in determining eligibility for loans.

(c) Establish the conditions, consistent with the purposes of this Act, for the granting or for the continuance of a grant of a loan.

(d) Provide for inspection, at reasonable hours, of the plant, books and records of an enterprise which has applied for or has been granted a loan and to require the submission of progress and final reports.

SECTION 7. Loans, terms and restrictions. The department is empowered to make loans to small business concerns for the financing of plant construction, conversion, expansion, the acquisition of land for expansion, the acquisition of equipment, machinery, supplies or materials, or for the supplying of working capital. Such loans may be made in conjunction with loans made by other financial institutions, including the S.B.A. Where the loans made by the department are secured, such security may be subordinated to the loans made by other financial institutions, when such subordination is required in order to obtain loans from such institutions. The necessity for and the extent of security required in any loan shall be determined by the director.

The foregoing powers shall be subject, however, to the following restrictions and limitations:

(a) No loans shall be granted pursuant to this Act unless financial assistance is not available to the applicant.

(b) The amount of the loan or loans to any one applicant at any one time shall in no case exceed a total of \$20,000.

(c) No loan shall be made for a term exceeding twenty years.

(d) Each loan shall bear simple interest at the rate of $5\frac{1}{2}$ per cent per annum.

(e) The commencement date for the repayment of the first installment on the principal of each loan may be deferred by the director, but in no event shall such initial payment be deferred in excess of five years.

SECTION 8. Reports. The department shall make a report as of December 31st of each year of operations under this Act to the governor, the president of the senate, and the speaker of the house of representatives, on the progress made under provisions of this Act. Such reports shall be submitted not later than February 1st immediately following the period covered by the report.

SECTION 9. Effective date. This Act shall take effect upon its approval.

(Approved May 22, 1963.) **H.B. 976.**
