

ACT 184

S.B. NO. 1153

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 for the State to meet its sustainability goals, it must become more self-reliant in food production. To achieve this goal, new farms will have to be developed. However, one of the limiting factors is the availability of affordable credit for persons wanting to start new farm operations.

The legislature also finds that due to an increased interest in diversified agriculture, the number of farms in the State has been increasing. The state agricultural loan program has an existing new farmer program, but demand for the program's new farmer loans has been limited due to the program's high interest rate of six per cent and relatively low loan limit of \$100,000. In addition, the program has to share its funding with the qualified farmer programs.

The purpose of this Act is to provide affordable capital for new farmers by:

- (1) Reducing the new farmer program loan interest rate;
- (2) Increasing the program's loan limits; and
- (3) Reducing the number of credit denials required to qualify for the program.

SECTION 2. Section 155-1, Hawaii Revised Statutes, is amended by amending the definition of "new farmer program" to read as follows:

"New farmer program" means a new farm enterprise for qualified new farmers, ~~[including persons who are:]~~ who by reason of ability, experience, and training are likely to successfully operate a farm and who otherwise meet the eligibility requirements of section 155-10 and includes any of the following:

- (1) ~~[Displaced]~~ Persons 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]~~ National FFA Organization 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; or
- (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].~~

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

"§155-3 Restriction. Loans provided for by this chapter shall ~~[be authorized only if these loans cannot be made by two lenders, which may include any of the following:]~~ require two credit denials, except for class "F" loans for new farmer programs which shall require one credit denial. This requirement may be waived by the board of agriculture for emergency loans. Credit denials may be accepted from any of the following:

- (1) Private lenders;
- (2) Members of the farm credit system; or
- (3) The United States Department of Agriculture; ~~provided that the board of agriculture may waive this requirement for emergency loans].~~

SECTION 4. Section 155-8, Hawaii Revised Statutes, is amended by amending subsection (c) 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. The interest rate on loans of class "A", "B", "C", "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 at a rate of one and one-half per cent below the prime rate or at a rate of six per cent a year[-], whichever is less. The interest rate of class "H" loans shall be three per cent a year. If the money loaned is borrowed by the department, then the interest on loans of 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 made under this chapter shall not be less than three per cent a year."

SECTION 5. Section 155-9, Hawaii Revised Statutes, is amended by amending subsection (g) to read as follows:

“(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 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~~] \$250,000 or eighty-five per cent of the cost of the project, whichever is less;
- (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 special term loan agreements as may be required by the department and shall take special training courses as the department deems necessary.”

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2011.

(Approved July 5, 2011.)