



# Agricultural Loan Division

## Qualified Farmer Loans Fact Sheet

### ELIGIBILITY REQUIREMENTS

A Qualified Farmer is:

- A citizen of the United States who has resided in Hawaii for the preceding three years, or any permanent resident alien who has resided in Hawaii for the preceding three years; and
- A person of proven farming ability who has operated their own farm for two or more years; and
- A person who devotes most of their time or derives most of their net income from the farming operation.

Sole proprietors, partnerships, corporations, and cooperatives are among the legal forms of businesses eligible to apply for a loan. Other forms of businesses may also be eligible for other loan facilities.

- An eligible sole proprietor is one who qualifies individually by meeting the requirements listed above.
- Eligible partnerships are controlled by at least seventy-five percent by persons who qualify individually.
- Eligible corporations are those where at least seventy-five percent of the stockholders and directors qualify individually.
- Eligible cooperatives shall have a majority of its board of directors and a majority of its membership qualifying individually and shall be engaged in marketing, purchasing, and processing, and providing of farm business services.

### LOANS AVAILABLE

Loans to Sole Proprietors, Partnerships, and Corporations			
Type of Loan	Maximum Loan	Maximum Term	Purpose
Farm Ownership and Improvement <sup>1</sup>	\$800,000	40 Years	Purchase or improvement of farmland; construction, or improvement of essential farm buildings; liquidation of indebtedness of the foregoing purposes.
Farm Operating	\$800,000	10 Years	Purchase of farm equipment and livestock; payment of production and marketing expenses including materials, labor, and services; payment of living expenses; liquidation of indebtedness incurred for the foregoing purposes.
Micro-Loans <sup>2</sup>	\$50,000	10 Years	

1- Loan amount shall not exceed eighty-five per cent of the value of the security offered and cannot be made on un-surveyed land.

2- The Micro-Loan application process minimizes paperwork and the loan processing procedure is expedited.

Loans to Cooperatives			
Type of Loan	Maximum Loan	Maximum Term	Purpose
Facility <sup>3</sup>	\$500,000	20 Years	Purchase or improve land, buildings, and equipment.
Farm Operating	\$300,000	7 Years	Provide operating capital to finance inventories, supplies, and normal operating expenses.

3- Facility loans require a down payment or equity contribution of 15% and cannot exceed 85% of the value of the security offered.

*Interest rates* are fixed at 1% below the prime rate or 7-1/2% per annum whichever is less. The prime rate is set twice a year, on January 1st and July 1st of each year.

## Other Loans

Emergency Loans are available to provide relief and rehabilitation due to environmental disasters, disease epidemics, and other economic emergencies. Emergency Loans are activated by declaration of a disaster by the Governor and are at an interest rate not less than 3% per annum. The Board of Agriculture determines the loan amount and terms. Qualified Farmers affected by State eradication programs may be eligible for a Farm Operating Loan at an interest rate of 3% to rehabilitate their farm operation. Soil and Water Conservation Loans are also available for water development and conservation purposes.

## APPLICATION PROCESS

Loan applications may be obtained from any Agricultural Loan Division Office. Loan Officers are available to provide assistance and guidance on the loan process. In order to be eligible for a direct loan, applicants must be denied credit from two lenders, which include banks, savings and loan associations, credit unions, mortgage loan companies, the Farm Credit System, and/or the U.S. Department of Agriculture.

A private lender may pursue a participation loan or insured/guaranty loan on behalf of the applicant. Under these circumstances, the private lender will work in conjunction with the Division on the loan application.

As part of the application process, aspects such as repayment ability, collateral, and credit history, economic and environmental conditions, and historic performance will be taken into consideration. Acceptable applications are presented to the Board of Agriculture for final approval, with the exception of Micro-loans, which may be approved by the Chairperson of the Board of Agriculture.

For more information, call or visit one of our offices, or visit our website.

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*Special accommodations will be made, upon request for persons with disabilities, vision and/or hearing impairment. If accommodations are required, please contact one of our offices.*