

CHAPTER 3
FARMERS' AND FISHERMEN'S SMALL LOAN REVOLVING
FUND
(DIRECTOR OF AGRICULTURE)

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NOTE: Rule-making authority originally cited for formulation of regulations for the Farmers' Small Loan Revolving Fund by the Governor, Public Law 9-121 as amended by Public Laws 10-67 and 11-119. Rules and regulations were promulgated under Executive Order 67-20 on December 20, 1967 and amended by Executive Order 69-16 on September 11, 1969.

Rule-making authority for formulation of regulations for the Guam Farmers' Association Revolving Loan Fund has subsequently been transferred to the Director of Agriculture pursuant to 5 GCA §60301. All rules and regulations originally formulated by the Governor have been adopted by the Director of Agriculture.

These Rules were promulgated pursuant to P.L. 20-105 and completely replace the earlier rules on the same subject. The effective date of these Rules was September 9, 1990.

§3100. Purpose and Authority. Pursuant to 5 GCA §60301, as amended by P.L. 20-105, A Farmers' and Fishermen's Small Loan Revolving Fund of the Territory of Guam. In granting such loans, the Director of Agriculture is hereby authorized to promulgate all rules and regulations necessary for the operation of said Fund, provided that the loan granted under said Fund shall not exceed \$50,000 and that interest charged on each loan shall not exceed 4% per annum.

§3101. Classes of Loan.

(1) Class A - Improvement of farm lands:

- (a) Improvement of farm lands;
- (b) Purchase, construction or improvement of essential nonresidential buildings on farm lands.

(2) Class B - Farm and Fishing operating loans:

- (a) Operating loans to carry on and improve a farming or fishing operation, manufacturing, including but not limited to:
 - (i) Purchase of farm and fishing equipment and livestock.
 - (ii) Payment of production, harvesting, and marketing expenses, including materials, supplies, labor and services.
 - (iii) Loans for manufacturing, establishing and developing agricultural and fisheries products and processing plants, using products grown on Guam as the principal ingredient.
- (b) Emergency loans to provide immediate relief and rehabilitation to qualified farmers and fishermen as follows:
 - (i) In areas stricken by extraordinary rainstorms, winds, drought, tidal waves, or other natural catastrophe.
 - (ii) On farmland stricken by livestock disease, epidemic and crop blights.
 - (iii) Amount to be determined on an individual basis and not to exceed \$500.00.

§3102. Eligibility Requirements. (1) A person who has experience or training in growing and harvesting of fruits, vegetables, horticultural non-edible plants, livestock, fish, aquaculture and/or similar products.

(2) A citizen of the United States who has resided on Guam for at least five consecutive years.

(3) A farming loan applicant must carry out recommended farm management practices.

(4) A person who has experience or training in the work of fishing or related activities.

A fishing loan applicant must carry out recommended fishing plans.

§3103. Restrictions and Limitations. (1) A loan must be income producing for purposes of repaying the principal amount and interest charge of the loan.

(2) All applications for a loan must be reviewed by the Chief of Agricultural Development Services, Department of Agriculture, setting forth its recommendation as to the feasibility of the project prior to consideration by the Board of Trustees.

(3) The Department of Agriculture may request for character references of loan applicant.

(4) No approved loan application shall be held pending by the borrower for over one month from date of notification, unless extended by the Board of Trustees via written request.

(5) Any loan application not acted upon by the borrower after one month of notification, or after period of extension by the Board of Trustees, is subject for action at the next Board of Trustees meeting.

(6) A loan applicant shall authorize the Department of Agriculture to conduct a credit check for the purpose of obtaining the credit history of the applicant.

§3104. Conditions. (1) Borrower shall expend no portion of his loan for purposes other than those sanctioned by the Department of Agriculture.

(2) Borrower shall carry out recommended farm management practices and fishing plans, including the keeping of proper records.

(3) Borrower shall not sell or otherwise dispose of the mortgaged property except on written consent as may be prescribed by the Board of Trustees.

§3105. Rules and Regulations. (1) All funds granted through the Farmers' and Fishermen's Small Loan shall be disbursed for purposes only appointed by the Director of Agriculture.

(2) A building plan shall be submitted for the construction of livestock, poultry [holding pens]¹ and other building intended to be funded under the Farm Loan Program. A complete list of building materials shall also be submitted along with the building plan. Building plans requiring in excess of \$15,000 of

¹ The original Rule contains no hint of the sort of building intended. There may be other types eligible for loans, but the Department of Agriculture should clear up this problem in this Rule.

construction costs should be drawn by a professional architect.

(3) No funds shall be disbursed or expended for any debt or² incurred prior to the actual granting of a loan.

(4) All borrowers of the Farmers' and Fishermen's Small Loan shall submit an annual report to the Director of Agriculture. The report shall provide a brief financial statement concerning the total operation of the farm or the fishing venture. This will allow the Director of Agriculture or his designee to give comments and recommendations to the borrower in areas that need to be improved or corrected.

(5) Any loan granted exceed \$5,000 shall be secured by a duly recorded first mortgage on property. Any equipment purchased through the loan shall be secured by the title being in the name of the Department of Agriculture. The borrower shall pay all fees for registration and clearance of mortgage and titles.

(6) All borrowers shall fully carry out recommended farm management practices provided by the Department of Agriculture. Borrowers shall not sell, destroy, or exchange any mortgaged property without the written approval of the Board of Trustees. The mortgage and title and recording fees shall be paid by the recipient of the loan.

(7) All borrowers shall notify the Department of Agriculture of any change of their home and mailing addresses.

(8) All conditions and policies mentioned the Farmer's and Fishermen's Small Loan Revolving Fund Agreement shall be fully adhered to.

§3106. Revolving Loan Fund Trustees. There is within the Government of Guam a Board of Trustees of the Revolving Loan Fund (referred to in these rules as "Board of Trustees") to consist of seven members, of which one shall be a representative of the Department appointed by the Director, one representative of the

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The Compiler cannot say whether this "or" means that the loan recipient cannot use loan funds to pay for both prior debt and prior services, or for debt for, i.e. arising from, prior services.

banking institutions, and five members appointed by the Governor. The members of the Board of Trustees shall elect one of its members as Chairman and one of its members as Secretary. The members shall have one monthly and four special meetings annually and receive compensation of \$50 for each meeting attended. The duties of the Board of Trustees shall be as follows:

- (1) To establish administrative loan policies;
- (2) To review and act on all loan applications;
- (3) To require periodic examination and audit of the books and accounts of the Fund.

§3107. Requirement of Loans. (1) For administrative purposes, loans are to be repaid, i.e., principal plus interest: up to \$5,000, three years; \$10,000, five years; in excess of \$10,000, not more than ten years. All exceptions to this policy must be approved by the Board of Trustees.

(2) Interest Computation Table: An interest computation table will be made available for inspection upon request of the applicant. This table conforms with the 4% interest rate as specified in P.L. 20-105.

(3) Payments received from the loans made by the Farmers' and Fishermen's Small Loan Revolving Fund are deposited into a separate account, principal and interest payments, and are realized to make other loans.

§3108. Loan Security. Any loan in excess of \$5,000 shall be secured by a duly recorded first mortgage on property of equal or greater value within Guam:

- (1) Fee simple farmland.
- (2) Leasehold of farmland where the lease has an unexpired term of at least two years longer than the term of the loan.
- (3) Crops, livestock and equipment.
- (4) Other chattels.

§3109. Delinquent Loans. Delinquent loans are loans where no payment has been made 30 days after its due date. When a loan becomes delinquent, the following procedures shall be taken:

(1) The Director of Agriculture shall furnish the board of Trustees with a loan status report.

(2) The Director of Agriculture shall see to and account for writing a letter to each representative borrower notifying same of the status of its loan and the letter shall indicate thereon "First Notice".

(3) After 15 days from the issuance of the "First Notice" of the Loan Delinquency, the Director of Agriculture shall see to and account for writing a letter to same and shall indicate thereon "Second Notice".

(4) Thirty days after the issuance of the "first notice" of the loan delinquency, the Director of Agriculture shall prepare a report for the Board of Trustees and said report, to his recommendation of action, shall be made to the Board of Trustees at its next meeting.

(5) The Board of Trustees shall take appropriate action upon presentation of the Director of Agriculture's report.

(6) The Board of Trustees shall take the following course of action on a delinquent loan once reported by the Director of Agriculture:

(i) A letter signed by the Chairman will be sent to the borrower notifying [him of] the status of the loan.

(ii). Request the presence of the borrower at the next Board of Trustee's meeting for discussion on the loan status.

(iii) Revise or amend the loan agreement to lower the monthly payment until such time as the Board of Trustees deems appropriate.

(iv) Refer delinquent loan to the Attorney General for legal action.

(v) Notify the borrower if the delinquent amount is not paid within 30 days from the date of notice, legal action will be instigated to call the loan due and payable in full immediately or foreclosure on mortgage or mortgages will be commenced.