
AN ACT

To amend and repeal certain sections of Chapter 7 of Title 33 of the Trust Territory Code, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1 Section 1. Section 251 of Chapter 7 of Title 33 of the Trust Territory
2 Code is hereby repealed and a new Section 251 is enacted to read as follows:

3 "Section 251. Definitions.

4 (1) "Usury" is the exacting, taking or receiving of an
5 interest charge in an amount or at a rate in excess of that
6 allowed by law for the use of money or extension of credit.

7 (2) "Interest" is any and all compensation paid or agreed
8 to be paid regarding the use, forbearance or detention of money
9 or the extension of credit.

10 (3) "Person" includes individuals, corporations, partner-
11 ships, unincorporated associations, as well as banks, savings
12 and loan associations, credit unions and other institutional
13 lending organizations.

14 (4) "Major loan" means any loan, note, mortgage, security
15 agreement, contract, or other financial obligation and the
16 forbearance to enforce the payment of money for goods, services,
17 and things in action involving the principal sum of more than
18 three hundred dollars.

19 (5) "Usurious major loan" means any major loan upon which
20 an interest charge or rate in excess of that allowed by law is
21 contracted for, charged or paid."

22 Section 2. Section 252 of Chapter 7 of Title 33 of the Trust Territory

1 Code is hereby repealed and a new Section 252 is enacted to read as
2 follows:

3 "Section 252. Maximum rate of interest. No person may directly
4 or indirectly receive or charge any interest in an amount or at
5 a rate greater than one percent per month on the principal balance
6 due on any major loan."

7 Section 3. Section 253 of Chapter 7 of Title 33 of the Trust Territory
8 Code is hereby repealed and a new Section 253 is enacted as follows:

9 "Section 253. Remedies. If any interest in excess of that
10 permitted in Section 252 above, is charged, contracted for or
11 received, regarding a major loan, the person being charged the
12 usurious interest shall be entitled, in a suit, action or claim
13 for relief brought in a court of competent jurisdiction within
14 the Federated States of Micronesia, to elect one of the following
15 remedies:

16 (1) have the loan agreement, including any mortgage or
17 security agreement securing a usurious obligation, cancelled,
18 with the person loaning the money or extending the credit having
19 no right to collect or receive any money whether principal or
20 interest, upon that loan agreement.

21 (2) within six years after the last payment of usurious
22 interest, recover the full amount of the interest paid under
23 the usurious major loan from the person to whom it was paid,
24 plus costs of suit and reasonable attorney's fees, but shall not
25 be entitled to recover principal sums actually paid under a

1 usurious major loan."

2 Section 4. A new Section 254 is hereby added to Chapter 7 of Title 33
3 of the Trust Territory Code to read as follows:

4 "Section 254. Equitable defenses apply. In any action under this
5 chapter, parties may allege any matter which would entitle them to
6 relief in equity in whole or in part and appropriate equitable
7 principles shall be applied in accordance with applicable rules
8 of civil procedure."

9 Section 5. This act shall become law upon the approval of the President
10 of the Federated States of Micronesia, or upon its becoming law without such
11 approval, and shall apply only to major loans made after the effective date
12 of this act.

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August 1, 1980



Tosiwo Nakayama
President
Federated States of Micronesia