

TENTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA

FIRST SPECIAL SESSION, 1997

CONGRESSIONAL BILL NO. 10-66, C.D.1, C.D.2

AN ACT

To further amend title 34 of the Code of the Federated States of Micronesia, as amended by Public Law No. 7-135, by further amending sections 202 and 203, as amended by Public Law No. 7-135, by repealing and reenacting section 204 thereof, by repealing section 205 thereof, and renumbering subsequent sections thereof, for the purpose of simplifying and reducing usury restrictions, and for other purposes.

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

1 Section 1. Section 202 of title 34 of the Code of the Federated States of
2 Micronesia, as amended by Public Law No. 7-135, is hereby further amended to
3 read as follows:

4 "Section 202. Definitions. As used in this chapter:

5 (1) 'Annual percentage rate' means the annual percentage
6 rate of interest. This rate shall be computed in the manner
7 prescribed in the Truth in Lending Act, 15 U.S.C. section 1601 et seq.,
8 and regulations promulgated thereunder, 12 C.F.R. section 226.1 et
9 seq.

10 (2) 'Cardholder' means any person to which a credit card
11 is issued.

12 (3) 'Card issuer' means any person who issues a credit card,
13 or the agent of such person with respect to such card.

14 (4) 'Commercial credit' means credit extended to a person in
15 which the money, property, or service which is the subject of the
16 transaction is primarily for business purposes.

17 (5) 'Consumer credit' means credit extended to a natural
18 person in which the money, property, or service which is the subject
19 of the transaction is primarily for personal, family, household, or
20 agricultural purposes.

21 (6) 'Credit' means the right granted by a creditor to a
22 customer to defer payment of debt, incur debt and defer its

1 payment, or purchase property or services and defer payment
2 therefor.

3 (7) 'Creditor' means a person who in the ordinary course of
4 business regularly extends credit.

5 (8) 'Credit card' is any card, plate, coupon book, or other
6 single credit device existing for the purpose of being used from time
7 to time upon presentation to obtain money, property, labor, or
8 services on credit.

9 (9) 'Customer' means:

10 (a) a person to whom credit is extended, and includes
11 a comaker, endorser, guarantor, or surety for such person who is or
12 may be obligated to repay the extension of credit; or

13 (b) a cardholder.

14 (10) 'Interest' is any and all compensation paid or agreed to
15 be paid by regarding the use, forbearance, or detention of money or
16 the extension of credit.

17 (11) 'Person' includes individuals, corporations, partnerships,
18 incorporated associations, as well as banks, savings and loan
19 associations, credit unions, and other institutional lending
20 organizations.

21 (12) 'Prime rate' means the rate of interest charged on loans
22 by a bank to its prime customer(s).

23 (13) 'Usury' is the exacting, taking, or receiving of an interest
24 charge in an amount or at a rate in excess of that allowed by law for
25 the use of money or extension of credit."

1 Section 2. Section 203 of title 34 of the Code of the Federated States of
2 Micronesia, as amended by Public Law No. 7-135, is hereby further amended to
3 read as follows:

4 "Section 203. Consumer credit transactions.

5 (1) In consumer credit transactions, no person may directly
6 or indirectly receive or charge interest which exceeds an annual
7 percentage rate of fifteen percent.

8 (2) Nothing contained in this section shall prevent a creditor
9 from charging and receiving, in addition to interest permitted by this
10 section, a processing fee with respect to the transaction, not to
11 exceed \$25, or a late charge on all or any portion of any payment
12 due on a consumer credit transaction which is unpaid after fifteen
13 days from the due date of the payment, provided that such late
14 charge shall not exceed five dollars or five percent of the amount
15 overdue, whichever is less, on any payment.

16 (3) With respect to credit extended after October 31, 1998,
17 the fifteen percent annual percentage rate in subsection (1) of this
18 section shall be automatically changed to a twenty-four percent
19 annual percentage rate."

20 Section 3. Section 204 of title 34 of the Code of the Federated States of
21 Micronesia is hereby repealed and reenacted to read as follows:

22 "Section 204. Commercial Credit Transactions. In commercial credit
23 transactions, no person may directly or indirectly receive or charge
24 interest which exceeds an annual percentage rate of twenty-four
25 percent."

