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 Section 251 of Chapter 7 of Title 33 of the Trust Territory Code is hereby repealed and a new Section 251 is enacted to read as follows:

"Section 251. Definitions.

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

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

(3) "Person" includes individuals, corporations, partnerships, unincorporated associations, as well as banks, savings and loan associations, credit unions and other institutional lending organizations.

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

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

2 Section 2. Section 252 of Chapter 7 of Title 33 of the Trust Territory
Code is hereby repealed and a new Section 252 is enacted to read as follows:

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

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 Section 253 of Chapter 7 of Title 33 of the Trust Territory Code is hereby repealed and a new Section 253 is enacted as follows:

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

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

(2) within six years after the last payment of usurious interest, recover the full amount of the interest paid under the usurious major loan from the person to whom it was paid, plus costs of suit and reasonable attorney's fees, but shall not be entitled to recover principal sums actually paid under a
Section 4. A new Section 254 is hereby added to Chapter 7 of Title 33 of the Trust Territory Code to read as follows:

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

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

August 1, 1980

Tosiwo Nakayama
President
Federated States of Micronesia