

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:

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

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

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

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

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

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

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

(6) 'Credit' means the right granted by a creditor to a customer to defer payment of debt, incur debt and defer its payment, or purchase property or services and defer payment therefor.

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

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

(9) 'Customer' means:

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

(b) a cardholder.

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

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

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

(13) '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."

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

"Section 203. Consumer credit transactions.

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

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

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

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

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

Section 4. Section 205 of title 34 of the Code of the Federated States of Micronesia is hereby repealed.

Section 5. Section 206, 207, and 208 of title 34 of the Code of the Federated States of Micronesia are hereby renumbered as sections 205, 206, and 207, respectively.

Section 6. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

_____, 1997

CONGRESSIONAL BILL NO. 10-66, C.D.1, C.D.2
PUBLIC LAW NO. 10-052

Law w/out signature
November 20, 1997

Jacob Nena
President
Federated States of Micronesia