

**TITLE 20 – BUSINESS REGULATION AND PRACTICE  
CHAPTER 7 - USURY**



Republic of the Marshall Islands  
*Jepilpilin Ke Ejukaan*

**USURY ACT 1989**

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AN ACT to prohibit usurious interest rates and related matters. This Chapter was formerly “Reserved”, now assigned this Act.

<i>Commencement:</i>	<i>September 18, 1989</i>
<i>Source:</i>	<i>P. L. 1989-54</i>
<i>Amended By:</i>	<i>P. L. 2006-71</i>
	<i>P.L. 2023-59</i>

**§701. Short title.**

This Chapter may be cited as the “Usury Act of 1989.” [P.L. 1989-54, §1.]

**§702. Definitions.**

In this Chapter “**person**” means an individual, a corporation, a partnership, or an association. [P.L. 1989-54, §2.]

**§703. Limit on contract rates, compound interest.**

No person shall directly or indirectly take or receive as interest, in money, goods or things in action, or in any other manner whatsoever, any greater sum or any greater value for the loan or forbearance of money, goods or things in action than at an annual effective interest rate of twenty-four percent. In the computation of interest upon any bond, note, or other instrument or agreement, interest shall not be compounded nor shall the interest thereon be construed to bear interest, unless an agreement to that effect is clearly expressed in writing and is signed by the party to be charged therewith. [P.L. 1989-54, §3.]

**§704. Usurious interest reduced; null and void; actions to recover usurious amounts.**

- (1) The provisions of any agreement entered into prior to the effective date of this Chapter, which provide for the payment of interest at a rate higher than is allowed under this Chapter, shall be deemed amended to provide for interest at the rate of twenty-four percent per annum. Further, no action to recover interest above that allowed under this Chapter shall be maintained, and the debt cannot be declared due as a result of the reduction of interest pursuant to this Section.
- (2) The provisions of any agreement entered into on or after the effective date of this Chapter, which provide for the payment of interest at a rate higher than is allowed under this Chapter, shall be null and void. Further, no action to recover interest shall be maintained, and the debt cannot be declared due as a result of the non-payment of said interest. [P.L. 1989-54, §4, Subsections were renumbered to conform to the format and style of the Code.]

**§704A. Life Insurance for Loans.**

- (1) Financial institutions shall absolve, upon the death of a Borrower, the remaining balance of a loan made by said Borrower.
- (2) Such financial institutions are permitted to charge a non-refundable credit life insurance fee to be utilized as security for the payment of the Borrower's loan under the Loan Documentation or any variation thereof upon the Borrower's death.
- (3) Financial institutions shall develop and implement conditions in relation to the non-refundable credit life insurance fee and related matters.
- (4) This Chapter shall define "financial institutions" as provided under the Banking Act 1987. [New Subsection 704A inserted by P.L. 2023-59]

**§705. Civil and criminal penalties for violation.**

- (1) Every person, who for any loan or forbearance of money, goods or things in action, shall have paid or delivered any greater sum or value than is allowed to be received under the provisions of this

Chapter, may, either in person or through his personal representative, recover in an action at law against the person or his personal representative, who shall have taken or received the same, treble the amount of the money so paid or value delivered in violation of said provisions; provided, such action shall be brought within one year after such payment or delivery.

- (2) Any person who willfully makes or negotiates, for himself or another, a loan of money, credit, goods, or things in action, and who directly or indirectly charges, contracts for, or receives with respect to any such loan any interest or charge of any nature, the value of which is in excess of that allowed by law, is guilty of usury, and is punishable:
  - (a) by a monetary penalty of not less than \$1,000 but no more than \$100,000; or
  - (b) by a term of imprisonment of not less than five (5) years but not more than ten (10) years, or both.
- (3) Any financial institution which violates Section 704A shall, upon conviction, be penalized a fine of a maximum of \$1,000.00 payable to the Secretary of Finance. [P.L. 1989-54, §5, Subsections were re-numbered, and modification was made to Subsection (1) regarding reference to a personal representative, for purposes of clarity.][subsection (2) amended by P.L. 2006-71]. [Subsection (3) amended by P.L. 2023-59]

#### **§706. Effective date.**

This Chapter shall become effective on November 1, 1989. [P.L. 1989-54]