This example is the purchase of an automobile for $2,000. The finance charge is $419.92. What you would be paying is $2,419.92. The monthly payments are $67.22 each for 36 months. What is the annual rate of finance charge? We have this little form prepared and you just follow through on the steps. The first step is to move the decimal in the amount to be financed—that is $2,000—wait a minute, I made a mistake—it is not $2,419.92, it is $2,000 to be financed, and $419.92 is the finance charge.

Mrs. SULLIVAN. Where is the $2,000 on the table?

Mr. BARR. I will come to that. You move the decimal place on that $2,000 to be financed two places to the left. That gives you $20. You divide $419.92, the finance charge, by $20, and that gives you a figure of $20.99 or $21. That is the finance charge per hundred.

Your step 2, if you have all these installment transactions which are uniform, the first payment is due 30 days after the transaction. If you have an unusual transaction you use 2(a). If it is 21 days or if it is 3 months, then you use that step 2(a). This isn't anything unusual, there isn't anything unusual about this so you ignore it. So you have 36 payments. You have the finance charge of $21 per hundred, you take this big table here, you read down the left-hand column, the number of level monthly payments until you find 36. You run across until you get as close as you can to $21. You see that falls between $20.43 and $22.17. You read right up that line and it says 13 percent and that's it.

They don't usually come out quite that easy. There is usually an odd figure on the end. But unless the odd figure on the final repayment is more than twice the average level payments, you just treat it as normal—treat it as precisely as you did the first example.

This TV set, purchased for $395 plus a finance charge of $39.50. It is to be financed by 17 payments of $24 each plus a final payment of $26.50. What is the annual rate? You move the decimal point two places to the left in that $395, you divide that into $39.50 and you get $10. That is the finance charge per hundred. There is no gimmick on the first payment, perfectly normal, level. So you use the total number of payments, 17 plus 1, and that is 18 payments. You find 18 in the Defense Department, DOD table, you find 18, run it across until you get as close as you can to $10, you see that that falls between $9.35 and $10.19. You run it up to that column and you come out to 12 percent.

Here is equal pay payments plus deferment on a loan for $200. The finance charge is $16; 12 payments of $18 each, but the first payment is not due for 3 months and 24 days. You find this especially with farmers and schoolteachers who don't want to start payment on a loan until after the summer. Sometimes you find it with construction workers who get laid off in the wintertime. You've got the $200, you move the decimal point two places to the left, it gives you $2. Your finance charge is $16; you divide 16 by 2, it gives you a finance charge of $8 per $100. You have to go through a little mathematical computation, but what you do on that first payment, convert it to level payments, is to double the initial payment period, 3 months and 24 days. You multiply that by 2, it gives you 6 months and 48 days, or 7 months and 18 days—18 days is more than half a month so you round it off to the nearest month and that gives you 8. You subtract 2. The reason you subtract 2 is just the way the mathematics works out. That gives you