

(Mr. Joseph W. Barr, Under Secretary, Department of the Treasury, submitted the following material for inclusion in the record:)

EXAMPLES ILLUSTRATING THE APPLICABILITY OF THE DEPARTMENT OF DEFENSE
RATE TABLE TO H.R. 11601

No. 1—Equal payments, no deferment.¹

NOTE.—Examples 1-9 are taken from the Treasury Department's "Annual Rate Tables."

No. 2—Odd final payment, no deferment.

No. 3—Equal payments plus deferment.

No. 4—Odd final payment plus deferment.

No. 5—Single payment (short term).

No. 6—Balloon payment.

No. 7—Skipped payments with odd payment.

No. 7a—Skipped payments with odd payments.

No. 8—Irregular single payments.

No. 9—Add-on purchase.

No. 10—Multiple disbursement case.

No. 11—Single payment loan (30 months).

Example 1—Equal payments, no deferment

The amount financed in the purchase of an automobile is \$2000. The finance charge is \$419.92. The monthly payments are \$67.22 each for 36 months. What is the annual rate of finance charge?

Form No. I

For level payments which are irregular only because of deferment or odd final payment (provided the odd final payment is not more than twice as great as a regular payment). Use in connection with Defense Department Rate Table.

Step 1—Move decimal 2 places to the left in the amount to be financed and divide it into the finance charge. This gives the finance charge per \$100 of amount to be financed. (= \$21.00)

Step 2—(a-) Double the initial payment period, round it to the nearest whole month, and subtract 2.

(b) Add (a) to the *total* number of payments. (= 36)

Step 3—Read down left hand column of the Defense Department Rate Table to number of payments found in Step 2(b). Read across to locate finance charge per \$100 (Step 1) and read up to find rate. (= 13%)

Note: This form incorporates the assumption of Section 202(f)(1)(B) of H.R. 11601 regarding an odd payment. It has been suggested that Section 202(f)(1)(C) could easily be revised to embody the Step 2 correction for deferment of the first payment.

Example 2—Odd final payment, no deferment

A TV is 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?

Form No. I

For level payments which are irregular only because of deferment or odd final payment (provided the odd final payment is not more than twice as great as a regular payment). Use in connection with Defense Department Rate Table.

Step 1—Move decimal 2 places to the left in the amount to be financed and divide it into the finance charge. This gives the finance charge per \$100 of amount to be financed. (= \$10.00)

Step 2—(a) Double the initial payment period, round it to the nearest whole month, and subtract 2.

(b) Add (a) to the *total* number of payments. (= 18)

Step 3—Read down left hand column of the Defense Department Rate Table to number of payments found in Step 2(b). Read across to locate finance charge per \$100 (Step 1) and read up to find rate. (= 12%)

Note: This form incorporates the assumption of Section 202(f)(1)(B) of H.R. 11601 regarding an odd payment. It has been suggested that Section 202(f)(1)

¹ In the case of monthly payments deferment is the time by which the first payment period exceeds the usual 1 month. (When the time to first payment is less than 1 month, the deferment is negative.)