*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. (=$8.02)

Step 2—(a) Double the initial payment period, round it to the nearest whole month, and subtract 2. (=3*)

(b) Add (a) to the *total* number of payments. (=15)

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)(C) could easily be revised to embody the Step 2 correction for deferment of the first payment.

*Example 11—Single Payment Loans (30 months)*

Loan: $100.

Repayment: 1 payment of $209.76 at end of 30 months.

*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. (=$109.76)

Step 2—(a) Double the initial payment period, round it to the nearest whole month, and subtract 2. (=58)

(b) Add (a) to the *total* number of payments. (=59)

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. (=36%) (34.74% by interpolation)

*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.

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## DEFINITIONS OF TERMS USED IN UNDER SECRETARY BARR'S STATEMENT ON H.R. 11601

### ADD-ON

Dollar add-on is synonymous with the finance charge. That is, it is the amount added to the initial unpaid balance to cover the cost of credit. The important point about dollar add-on is that it is often expressed as a percentage (or dollar per hundred) of the initial unpaid balance. For example, in a 6 percent add-on loan for $1000 for 12 months, the add-on is $60, resulting in an annual percentage rate of 10.9 percent. (See statement on H.R. 11601 by J. L. Robertson, Vice Chairman, Board of Governors of the Federal Reserve System.)

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| | | | |
|---|---|---|---|
| *Months from 5/1 to 10/1=5× | $100= | 500 |
| Months from 6/1 to 10/1=4× | 300= | 1200 |
| Months from 9/1 to 10/1=1× | 600= | 600 |
| | $1000 | 2300 |

Average time until first payment$=\frac{2300}{1000}=2.3$ months.

Double 2.3 to get 4.6. Round to 5 months and subtract 2.

*The true rate in this example is 30%. Obviously the level payment table is not well suited for longer term single payments. A matching "single payment" table (of same size and form as the existing table) is necessary and can easily be prepared.