precomputed charges made for the full term loan. The following table shows how this result is achieved:

8/78 (portion of aggregate charge allocated to 5th installment period)
7/78 (portion of aggregate charge allocated to 6th installment period)
6/78 (portion of aggregate charge allocated to 7th installment period)
5/78 (portion of aggregate charge allocated to 8th installment period)
4/78 (portion of aggregate charge allocated to 9th installment period)
3/78 (portion of aggregate charge allocated to 10th installment period)
2/78 (portion of aggregate charge allocated to 11th installment period)
1/78 (portion of aggregate charge allocated to 12th installment period)

Total 36/78 (portion of aggregate charge allocated to scheduled installments which have been prepaid).[80]"

Service charge

This expression is more or less synonymous with "finance charge".

Finance charge

This term is specifically defined in H.R. 11601 as well as in S. 5.

In addition, the following definition is given from Neifeld's Guide to Installment Purchases:

> *Finance charge:* That part of the total price in the retail installment contract of sale in excess of the cash price; difference between the commodity's cash and time-sales price. In motor vehicle transactions, the finance charge includes, unless otherwise specified, the insurance premium, if any.

Interest

The following definition is given by Neifeld: The money charge made by the lender for use by the borrower of a certain sum of money for a specified period of time; in law, compensation allowed or fixed by the parties for the use or forbearance or detention of money or its equivalent; the rate percent derived from money loaned by another, or from debts remaining unpaid.

Time price differential

Neifeld defines the time price differential as the difference between time payment price and cash price when goods are sold on credit.

Sale price vs cash price

Neifeld defines the retail installment sale as a retail installment contract in which the purchase price may be paid in installments over a period of time. The difference between the retail installment sale price and the cash price is the time price differential, defined above.

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80 The language most commonly used to express refunds based on the Rule of 78 in small loan laws is set forth in the N.Y. Small Loan Law, *N.Y. Banking Law* § 352(d)1:

> [R]efund [shall be] . . . an amount which shall be at least as great a proportion of the precomputed interest . . . as the sum of the remaining monthly balances of principal and interest combined scheduled to follow the installment date nearest the date of prepayment bears to the sum of all the monthly balances of principal and interest combined originally scheduled by the contract.

It should be noted that the statutory language designates that the fraction to be used in determining the refund is equal to the relation of the sum of the *amounts* of the monthly balance due after the date nearest the date of prepayment to the sum of the *amounts* of all the scheduled monthly balances under the contract. If prepayment in full were made on the fourth installment date on a contract scheduled to be repaid in 12 monthly installments of $10 each, the refund would be calculated as follows:

$$\frac{\$80+70+60+50+40+30+20+10}{\$120+110+100+90+80+70+60+50+40+30+20+10} = \frac{\$360}{\$780} \text{ or } \frac{36}{78} \text{ of total charges.}$$

The result is the same as would be produced under the approach described in the text. That is, as long as the installments are substantially equal in amount and period, the results are the same whether one uses *number* of installments or *amount* of installments in the calculations with the Rule of 78. If installments are unequal in amount, then the method described in the text continues to produce the same result in the example shown, but the language of the statute will produce a larger or smaller fraction depending on whether the larger installments are scheduled to be repaid after the date of prepayment. See Ayres, *op. cit. supra* note 74, at 166–167.