To compare finance charges, the standard of simple annual interest (SAI) was chosen. There are many ways of computing simple annual interest. The method used here was to compute the stated finance charge as a percentage of the principal balance unpaid at the time of the purchase. This percentage was then doubled in all cases where repayment of the amount due was to be made in equal periodic installments. For example, if $100 were borrowed and $120 were repaid in a single payment, at the end of the year this would be considered 20% simple interest. However, if $100 were borrowed to be repaid with interest in twelve monthly installments of $10 each, this would be considered double the previous amount or 40% simple interest, since the borrower does not have the use of the principal borrowed for the full year term. Where the prospective period of repayment was more or less than one year, an appropriate adjustment was made to obtain simple annual interest.

NATURE OF OBLIGATION

Here is a description of the types of transactions which gave rise to these suits:

Nature of obligation	Number of suits	Principal claimed
Used car purchase	164	$121,114.00
Radio, TV, hi-fi	117	26,199.00
Loans by loan company	103	93,884.00
Furniture and rugs	100	34,361.00
Leases	86	43,874.00
Clothing	82	9,625.00
Financing of insurance premiums	80	7,328.00
New car purchase	50	55,635.00
Attorney's fees	47	18,726.00
Business deals	46	94,829.00
Loans by credit unions	44	13,077.00
Jewelry	34	4,722.00
Loans by individuals	32	33,540.00
Real estate, improvements, and purchase	31	36,780.00
Wigs	23	3,223.00
Loans by banks	23	31,902.00
Other appliances	20	5,952.00
Health club enrollment	17	4,628.00
Medical bills	17	4,701.00
Modeling and trade school tuition	14	3,842.00
Bonds	13	3,287.00
Automobile miscellaneous (repair, loan, or accessory purchase)	13	4,008.00
Furniture covers	12	1,353.00
Employment service	9	852.00
Pots and pans	8	1,146.00
Debt consolidators	7	473.00
Whirlpool bath attachments	5	1,604.00
Musical instruments	5	3,382.00
Not identified, including refinancing of earlier transactions	87	70,215.00
Miscellaneous including utility, food freezer plan, chinaware, swimming pool, encyclopedia, coal, food, meat, department store, etc	17	8,514.00
Total	1,305	743,970.15

IDENTITY OF PLAINTIFF

The identity of the plaintiffs is shown by Table No. 1. The significance of this table relates to the legal doctrine of negotiability. Most defenses which a purchaser could raise against a suit for the price brought by the original seller (e.g. that the property purchased is defective) may not be raised against a "holder in due course" who has purchased the contract or other negotiable instrument. Legislation passed the House of Representatives in the last session of the General Assembly providing that a holder in due course would be required to notify the original purchaser before these defenses could be cut off. The study indicates that a substantial number of sellers in certain areas, e.g. clothing, do not sell their accounts to finance companies.

The study would also indicate that banks are a dominant factor in the financing of new cars and a substantial factor in the financing of used automobiles.