TABLE III-5.—INSTALLMENT CONTRACTS DISTRIBUTED BY EFFECTIVE ANNUAL RATE OF FINANCE CHARGE (ASSIGNED AND UNASSIGNED)[1]

[Dollar amounts in thousands]

Effective annual rate of finance charge (percent)	Value of contracts at each effective annual rate for—					
	Low-income market retailers		General market retailers		All retailers combined	
	Value of contracts	Percent of total	Value of contracts	Percent of total	Value of contracts	Percent of total
33	$360	7.1			$360	0.8
29	283	5.6	$99	0.3	382	.9
27	1,087	21.6			1,087	2.5
26	685	13.6			685	1.6
24			3,541	9.3	3,541	8.2
23			4,576	12.1	4,576	10.6
22	871	17.3	1,173	3.1	2,044	4.8
20			16,872	44.4	16,872	39.2
18	1,550	30.8	173	.5	1,723	4.0
17			6,311	16.6	6,311	14.7
16			77	.2	77	.2
15	187	3.7	3,210	8.5	3,397	7.9
14			460	1.2	460	1.1
13			115	.3	115	.3
11	14	.3	635	1.7	649	1.5
Rate not available			713	1.8	713	1.7
Total	5,037	100.0	37,955	100.0	42,992	100.0

[1] Includes all installment contracts for which separate finance charges were specified.

Source: FTC survey.

Contractual Arrangements for Assignment of Installment Credit

To better understand the factors determining finance charges, contracts were analyzed on the basis of whether they were assigned to finance companies and banks or held by retailers themselves. Assignment of contracts is a method of transferring the costs and, in many cases, the risk of handling installment contracts from the retailer to the finance company. There is a variety of contractual arrangements between retailers and finance companies or banks for the assignment of contracts. The nature of these arrangements is an important factor in determining finance charges. Contracts that are unassigned often have different risk characteristics than those that are assigned. Thus, finance charges may vary depending on whether or not retailers assign their contracts.

Finance Charges on Assigned Installment Credit Contracts.—Sixty-eight percent of the value of all assigned contracts carried finance charges yielding an effective annual rate of 22 percent or more. For low-income market retailers this proportion was 98 percent. Sixty-two of all assigned contracts had rates ranging between 22 and 24 percent (table III-6 and figure III-1). Contracts assigned at these rates were, for the most part, entered into by general market appliance retailers. Practically all of the assignments at 17 percent or less were by general market furniture stores and, as noted below, usually involved recourse arrangements with banks.