

Ninety-three percent of the total value of *unassigned* installment contracts carried finance charges yielding an effective annual rate of 20 percent or less (table III-8 and figure III-1). This was heavily affected by the relatively low rates on unassigned contracts financed by general market department stores and furniture stores.

Finance charges on unassigned contracts of department stores ranged from 17 to 20 percent. Our survey indicated that most contracts (89 percent) were at the 20 percent rate (appendix table B). Finance charges by general market furniture stores for the most part (98 percent) ranged between 15 and 17 percent.

Finance charges by low-income market retailers were more variable. Among this group of retailers one large company, which sold entirely on installment credit, made no finance charges on its unassigned installment contracts, preferring instead to price its merchandise to cover installment costs. Other low-income market retailers charged an average effective annual rate of 23 percent on unassigned installment contracts. The highest effective annual rates of finance charges made were 33 percent and 27 percent. Total contracts at these rates accounted for about 40 percent of the total value of contracts held by those low-income market retailers making finance charges. The other predominant effective annual rate was 18 percent and accounted for 43 percent of the total value of contracts (table III-8 and figure III-1).

TABLE III-8-8.—UNASSIGNED INSTALLMENT CONTRACTS DISTRIBUTED BY EFFECTIVE ANNUAL RATE OF FINANCE CHARGE¹

[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	10.0	.....	.....	\$360	1.3
27.....	1,064	29.6	.....	.....	1,064	3.9
26.....	205	5.7	.....	.....	205	.8
24.....	.....	.....	\$6	(?)	6	(?)
22.....	244	6.8	36	0.1	280	1.0
20.....	.....	.....	16,872	71.6	16,872	62.1
18.....	1,550	43.1	173	.7	1,723	6.3
17.....	.....	.....	3,206	13.6	3,206	11.8
16.....	.....	.....	77	.4	77	.3
15.....	173	4.8	3,208	13.6	3,281	12.5
Total.....	3,596	100.0	23,578	100.0	27,174	100.0

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

² Less than 0.1 percent.

Source: FTC survey.

Judgments, Garnishments, and Repossessions by Retailers

When an account under an installment sales contract becomes delinquent, the holder of that contract can proceed to collect by several legal means. A judgment can be obtained that will permit repossession of the merchandise or garnishment of the wages of the purchaser.¹ If the retailer has assigned the contract *without* recourse, the finance company or bank takes the risk of loss and proceeds to exercise its legal rights. Consequently, retailers are not involved in the collection process if they assign without recourse. If a delinquent account comes back to the retailer who has assigned *with* recourse or if an account originally financed by the retailer himself becomes delinquent, the retailer does not become involved in legal processes if he turns the account over to a collection agency. For these reasons, many retailers in this survey had no records on the volume of judgments, garnishments, or repossessions.

¹ Repossession can be accomplished without court action by the holder of the installment conditional sales contract. In such instances, if the proceeds of a public sale of the repossessed item does not cover the unpaid balance plus fees, the holder can still sue on the contract *and* get a judgment for the deficiency.