



Oregon

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TO: THE PAWNBROKER ADDRESSED

FROM: Michael McCord, Program Manager

Effective November 10, 2008, new rules were adopted that requires pawnshops to calculate interest and Annual Percentage Rates (APR) using only a 365-day computation. Calculations using a 360-day year are no longer allowed. (See OAR 441-740-0016).

If you are not already using a 365-day calculation for all pledge loans, you have two options in order to comply with this rule.

Option 1: At the time a new loan is made or a loan is renewed, the interest computation must begin using the 365-day calculation. No further loans or renewals may be made using 360-day.

OR

Option 2: Immediately convert all existing loans to the 365-day calculation. Since this change will be in the borrower's favor, the change may be made without conferring with each pledgor.

The following is an example showing the differences between a 360-day and 365-day calculation:

	Loan Amt	Interest	Storage Fee	Set-up Fee	Total Finance	APR
360-day	\$ 30.00	\$ 3.00	\$ 2.00	\$ 3.00	\$ 8.00	160.00%
365-day	\$ 30.00	\$ 3.00	\$ 2.00	\$ 3.00	\$ 8.00	162.22%

	Loan Amt	Interest	Storage Fee	Set-up Fee	Total Finance	APR
360-day	\$ 75.00	\$ 4.50	\$ 2.00	\$ 7.50	\$ 14.00	112.00%
365-day	\$ 75.00	\$ 4.44	\$ 2.00	\$ 7.50	\$ 13.94	113.06%

	Loan Amt	Interest	Storage Fee	Set-up Fee	Total Finance	APR
360-day	\$ 100.00	\$ 6.00	\$ 2.00	\$ 10.00	\$ 18.00	108.00%
365-day	\$ 100.00	\$ 5.92	\$ 2.00	\$ 10.00	\$ 17.92	109.00%

	Loan Amt	Interest	Storage Fee	Set-up Fee	Total Finance	APR
360-day	\$ 200.00	\$ 12.00	\$ 4.00	\$ 20.00	\$ 36.00	108.00%
365-day	\$ 200.00	\$ 11.84	\$ 4.00	\$ 20.00	\$ 35.84	109.00%

Note that the amount of interest paid using a 365-day calculation is less than the 360-day calculation because the interest rate (36%) is divided by a larger number, 365, instead of 360, thus making the interest amount smaller. Storage and set-up fees are the same regardless of the days used.

The following calculations should be helpful in determining interest and APR for recalculated loans.

Interest Rate Calculation

Loan Amount X .03 X 12 ÷ 365 X # of Days

Example:

Loan Amount \$100
Interest 3% per month
of Days 60

$$100 \times .03 \times 12 \div 365 \times 60 = 5.92$$

APR Calculation for a 60-day loan

(Total Finance Charge ÷ 60 X 365) ÷ Loan Amount

Example:

Loan Amount \$100
Total Finance Charge \$17.92

$$(17.92 \div 60 \times 365) \div 100 = 1.09 = 109.00\%$$

Please contact Debbie Myers at 503-947-7466 with any questions about this new rule or these options for compliance.

Please begin this process by no later than January 9, 2009.

Thank you,

Michael McCord, Manager
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