

Interest Rate vs APR



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THE 'APR' **Why is it different than my interest rate?**

Interest Rate versus APR is always something difficult for the consumer to understand. I thought you might find this information on the "annual percentage rate" (APR) to be interesting.

Do you know why there is a difference between the interest rate and the APR? The interest rate is, simply, the actual rate of interest that is charged on the principle balance of your loan. The APR is a complex calculation that was originally designed to help consumers understand the cost of the loan, inclusive of interest and certain costs associated with closing. The problem lies in the fact that the APR is easily manipulated by inexperienced or unethical lenders, and can be easily misunderstood by consumers. Many items are included in the calculation of the APR such as interim interest and mortgage insurance, which have nothing to do with the interest rates and closing costs charged by the lender. Due to some of these defects in the calculation, using only the APR to compare lenders is not always reliable.

Please do not hesitate to contact my office if you have any questions, or are in need of further assistance at this time!

Sincerely,

A handwritten signature in black ink that reads "Sandra M. Womack".

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