

## what is APR?

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The Annual Percentage Rate (APR) is the relative cost of credit as determined in accordance with Regulation Z of the Board of Governors of the Federal Reserve System for implementing the federal Truth-in-Lending Act, according to Charles O. Stapleton III, Thomas Moran and Martha R. Williams, authors of "Real Estate Principles," 3rd Ed., Dearborn Financial Publishing, Chicago; 1994.

The APR is the actual yearly interest rate paid by the borrower, figuring in the points charged to initiate the loan and other costs. The APR discloses the real cost of borrowing by adding on the points and by factoring in the assumption that the points will be paid off incrementally over the term of the loan. The APR is usually about 0.5 percent higher than the note rate.

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