



## What is APR?

The APR reflects the cost of a mortgage loan as a yearly rate. This rate may be higher than the rate stated in the mortgage or deed of trust note because the APR includes, in addition to interest, points, fees, and other credit costs.

The lender is required, usually within three days of receiving a loan application, to give or mail to the borrower a Truth-in-Lending statement that will disclose the “annual percentage rate” (APR).

The annual percentage rate (APR) can be a valuable tool to help shop for a mortgage, but only when you know how to use it. An APR measures the total cost of the loan (including interest, points and fees) and compares this cost to the amount borrowed. You could call an APR the “effective” interest rate because points and fees are also included.

For more detailed information regarding Truth-in-Lending, contact the Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 or go to [www.federalreserve.gov](http://www.federalreserve.gov)

