



What is the Truth in Lending Statement?

Federal law requires lenders to provide prospective borrowers a Truth in Lending Disclosure Statement.* The statement is designed to give you information about the costs of your loan so that you can compare these costs among various programs and lenders. Here are the most common questions that we get on the subject of Truth in Lending Disclosure Statements:

Q. What is ANNUAL PERCENTAGE RATE?

A. The Annual Percentage Rate (A.P.R.) is the cost of your credit expressed at an annual rate. Because you may be paying the loan discount “points” and other “prepaid” finance charges at closing, the A.P.R. is often higher than the interest rate on your loan. This A.P.R. is a good comparison point when assessing the competitiveness of various lenders and loan programs.

Q. Why is the ANNUAL PERCENTAGE RATE different from the interest rate for which I applied?

A. The A.P.R. is based on the Amount Financed and on your proposed payments for the actual loan amount credited to you at settlement. For a \$50,000 loan with \$2,000 Prepaid Finance Charges, a 30 year term and a fixed interest rate of 12%, the payments would be \$514.31 (principal and interest). Since the A.P.R. is based on the Amount Financed (\$48,000), while the payment is based on the actual loan amount (\$50,000), the A.P.R. (12.553%) is higher than the interest rate.

Q. What is the FINANCE CHARGE?

A. The Finance Charge is the cost of credit expressed in dollars. It is the total amount of interest you’ll pay over the life of the loan, plus Prepaid Finance Charges and the amount of any mortgage insurance charged over the life of the loan.

Q. What is the AMOUNT FINANCED?

A. The Amount Financed is the loan amount applied for, minus the Prepaid Finance Charges. Prepaid Finance Charges include items paid at or before settlement, such as loan origination, commitment or discount fees, adjusted interest, and initial mortgage insurance premium. The Amount Financed represents a NET figure. If you applied for \$50,000 and the Prepaid Finance Charges total \$2,000, the Amount Financed would be \$48,000.

Q. What is the TOTAL OF PAYMENTS?

A. This figure represents the total dollar amount you will have paid if you make the minimum required payments for the entire term of the loan. This includes principal, interest and mortgage insurance premiums, but does not include payments for real estate taxes or property insurance premiums.

* The information presented here is necessarily abridged. For more information about Truth In Lending Disclosure Statements speak to your lender and/or visit www.fdic.gov.

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