



## What's APR and Why Does it Matter?

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"I'm looking for the lowest rate."

I hear that several times a day. After being bombarded by the large mortgage companies' parade of television and radio ads, investors

become fixated on interest rates and intent on making the lowest monthly payment possible.

And I don't blame them.

**But rather than pay attention to the rate and only the rate, it's important to understand the Annual Percentage Rate (APR).** You've seen the term on your credit card statements but may not realize how it affects your mortgage program.

On your credit card account, your APR determines your finance charges if you don't pay off your flat-screen TV or other purchases on time. But when you're creating a mortgage program, the APR is calculated in a different way.

**APR measures all the costs associated with a mortgage across the life of the loan, and includes points, processing fees and prepaid interest - all expressed as an annual percentage rate.**

It's not the same as the loan's interest rate, and in fact many low rate "deals" often have high fees associated with them. **The APR pulls together all the costs, and in doing so, allows you to compare apples to apples when looking at competing offers.**

Understanding the APR can be complicated, but it helps you grasp the total cost of the loan. Don't just focus on the rate! If there is a considerable difference between the interest rate being quoted and the APR, be skeptical and ask questions. There may be a better deal out there for you.

Remember it's not just about the rate.



*Got questions about real estate financing?*

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