

# What is the Annual Percentage Rate?

Though you have already experienced the home buying process once, you can never have enough information about mortgages. **Annual Percentage Rate** is something every home buyer should understand. Below is an easy-to-understand diagram of APR and how it differs from the interest rate on a mortgage.

**Annual Percentage Rate (APR)**  
*is the total yearly cost of a mortgage stated as a percentage of the loan amount. The APR is a better way to determine yearly housing expense than the interest rate alone, because it takes all home ownership fees into consideration.*

<b>Fees included in the APR:</b>	<b>Interest</b>
	+ <b>Loan fees</b>
	+ <b>Mortgage insurance</b>
	+ <b>Points</b>
	= <b>APR</b>

*It's easy to confuse the APR and the interest rate when you are looking at mortgage options, so it's important to verify whether the APR or the interest rate is being quoted. Otherwise, you could select a loan based on the interest rate. It might appear more favorable, when in fact, it is more expensive after the fees have been added. Always compare APR to APR.*

<b>Example:</b>	<b><u>Amount Financed</u></b>
	\$100,000
	<b><u>Stated Interest Rate</u></b>
	7.25%
	<b><u>Annual Percentage Rate</u></b>
	7.45%