

Example:

Assume a \$50,000 loan commitment at 10.5% interest with a 5-month construction period and a prepaid finance charge of 2 points, followed by 30-year permanent financing at the same rate with monthly amortization payments of \$457.37.

Computation of Estimated APR

	<u>Interest on Amount Advanced</u>	<u>Interest on Entire Commitment</u>	
Estimated construction interest:			
$\$25,000 \times .105 \div 12 \times 5$	= \$1,093.75	$\$50,000 \times .105 \div 12 \times 5 =$	\$2,187.50
Estimated total finance charge:			
$360 \times \$457.37 =$	\$164,653.20	\$164,653.20	
Principal	<u>- 50,000.00</u>	<u>- 50,000.00</u>	
Interest on Permanent Fin.	114,653.20	114,653.20	
Construction Interest	+ 1,093.75	+ 2,187.50	
Points	+ <u>1,000.00</u>	+ <u>1,000.00</u>	\$117,840.70
	\$116,746.95		