

- B. The creditor shall compute the estimated annual percentage rate as follows:
1. Estimated interest payable during the construction period shall be treated for computation purposes as a prepaid finance charge (although it shall not be treated as a prepaid finance charge for disclosure purposes).
 2. The number of payments shall not include any payments of interest only that are made during the construction period.
 3. The first payment period shall consist of one-half of the construction period plus the period between the end of the construction period and the first amortization payment.
- C. The creditor shall disclose the repayment schedule as follows:
1. For loans under paragraph A.1. of Part II, without reflecting the number or amounts of payments of interest only that are made during the construction period. The fact that interest payments must be made and the timing of such payments shall be disclosed.
 2. For loans under paragraph A.2. of Part II, including any payments of interest only that are made during the construction period.
- D. The creditor shall disclose the amount financed as the entire commitment amount less any prepaid finance charge.

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 x .105 ÷ 12 x 5 =	\$1,093.75	\$50,000 x .105 ÷ 12 x 5 = \$2,187.50
Estimated total finance charge:		
360 x \$457.37 =		\$164,653.20
Principal	- 50,000.00	- 50,000.00
Interest on Permanent Fin.	114,653.20	114,653.20
Construction Interest	+ 1,093.75	+ 2,187.50
Points	+ 1,000.00	+ 1,000.00
	\$116,746.95	\$117,840.70