

What is the ANNUAL PERCENTAGE RATE?

The ANNUAL PERCENTAGE RATE is the interest rate as a percent. The APR is figured on the declining balance, that is figured only on the unpaid part of the loan or credit sale:

30 Percent Example:

A sale of \$100, paid back in 12 monthly installments, at 30 percent APR (2.5% per month) results in only \$17 of interest:

Principal Balance ("Amount Financed") (\$100)	Plus Interest (Balance x .025)	Less Payment	Equals Next Month's Balance
\$100.00	\$2.50	\$9.75	\$92.75
\$92.75	\$2.32	\$9.75	\$85.32
\$85.32	\$2.13	\$9.75	\$77.70
\$77.70	\$1.94	\$9.75	\$69.89
\$69.89	\$1.75	\$9.75	\$61.89
\$61.89	\$1.55	\$9.75	\$53.69
\$53.69	\$1.34	\$9.75	\$45.28
\$45.28	\$1.13	\$9.75	\$36.66
\$36.66	\$0.92	\$9.75	\$27.83
\$27.83	\$0.70	\$9.75	\$18.78
\$18.78	\$0.47	\$9.75	\$9.50
\$9.50	\$0.25	\$9.75	\$0.00
Total of Payments =		\$117.00	
Finance Charge =		\$ 17.00	(\$117 - 100)
Annual Percentage Rate =		30%	(2.5%/month x 12)

Why not \$30 of interest? Because the \$100 principal was outstanding for only one month. In the second month, interest accrues on a balance of \$92.75, and so on.

RENT TO OWN's Formula in bill A.3851 Allows 152% Annual Percentage Rate:

A.3851 allows a \$100 item to be sold for \$200, that is 12.7% per month, 152% per year, when sold in 12 monthly payments:

Principal Balance ("Amount Financed") (\$100)	Plus Interest (Balance x .127) (12.7% per month!)	Less Payment	Equals Next Month's Balance
\$100.00	\$12.70	\$16.67	\$96.03
\$96.03	\$12.19	\$16.67	\$91.55
\$91.55	\$11.63	\$16.67	\$86.51
\$86.51	\$10.99	\$16.67	\$80.83
\$80.83	\$10.26	\$16.67	\$74.42
\$74.42	\$9.45	\$16.67	\$67.20
\$67.20	\$8.53	\$16.67	\$59.06
\$59.06	\$7.50	\$16.67	\$49.89
\$49.89	\$6.34	\$16.67	\$39.56
\$39.56	\$5.02	\$16.67	\$27.91
\$27.91	\$3.54	\$16.67	\$14.78
\$14.78	\$1.88	\$16.66	\$0.00
Total of Payments =		\$200.00	
Finance Charge =		\$100.00	(\$200 - 100)
Annual Percentage Rate =		152%	12.7% per month x 12

The math cannot be denied, you can check the above figures yourself with simple multiplication: A3851 allows **152%** interest in rent to own sales!

Because credit math needs a calculator or computer program to find the APR, it is extremely easy to fool consumers. No one can do this credit math in your head. Rent to own stores never disclose the annual percentage rate either.

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