Instructions

To calculate the Annual Percentage Rate (APR), follow these steps:

1. Determine the principal amount (P) that was borrowed.
2. Determine the total interest (I) paid over the term of the loan.
3. Determine the number of payments (n) made per year.
4. Determine the total number of payments (N) made over the life of the loan.
5. Divide the total interest by the principal amount and multiply by the number of payments per year, then divide by the total number of payments.
6. Multiply the result by 100 to convert it to a percentage.

Calculate the APR for the following problems: 1. Principal amount: $5,000
Interest paid: $1,200
Number of payments per year: 12
Total number of payments: 60

2. Principal amount: $10,000
Interest paid: $2,500
Number of payments per year: 4
Total number of payments: 20