**Solution 1.14**

Callahan Construction borrowed $2.6 million to fi­nance the construction of an entertainment complex in a smart community development project. The company made “interest only” payments of $312,000 each year for 3 years and then repaid the principal in a single lump sum payment of $2.6 million. What was the interest rate on the loan?

*Solution:*

Interest rate = interest paid/principal

= (312,000/2,600,000)

= 0.12 (12%)