

Loan to Value (LTV) Ratio in Real Estate

By James Kimmons

Definition: The loan to value or LTV ratio of a property is the percentage of the property's value that is mortgaged. If you divide the mortgage amount by the lesser of either the appraised value or the selling price, you get the LTV.

There are differing lender requirements used to determine whether a loan will be granted with a certain LTV. It's quite common for owner occupied residences to get loans at an LTV of 80%. However, when a property is to be an investment, lenders will frequently require higher LTV's.

Examples:

\$300,000 appraised value of a home.

\$240,000 mortgage on the property.

$\$240,000 / \$300,000 = .80$ or 80% Loan to Value Ratio

Source: http://realestate.about.com/od/jl/g/loan_to_value.htm
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