How do I Figure out my Loan-to-value Ratio?

by Isaac Benmergui, Esq on May 13, 2015

Whether you need money to improve your home or to fix up a rental property, a home equity loan can help. A home equity loan allows you to take money back out of your home to use for anything you want. Before the housing crash, home equity loans were advertised as a painless way to get money for a pool, boat, or to take a vacation. These days, people use them mainly for home improvement projects.

During the HELOC approval process, lenders will want to know your loan-to-value ratio. This is the amount of debt secured by your home contrasted by the amount of equity in your home. The more debt your home is responsible for, the higher your loan-to-value ratio will be. The more equity you have, the lower your loan-to-value ratio will be. Lenders are always looking for a low loan-to-value ratio.

To find your loan-to-value ratio, gather your mortgage statements and note the outstanding balance on all loans associated with your home and add them up. Then, divide the debt secured by your home by the value of your home. You should get a decimal between 0 and 1. That represents your loan-to-value percentage.

Note that the value of your home may not be the same as the amount of the loan you took out. The current value may be higher or lower. You can use a current tax assessment to judge the value of your home for your own calculations. Estimates on online real estate sites like Zillow or Trulia are often higher than the real market value.

Call Miami Real Estate Lawyer Isaac Benmergui at 305.397.8547 and set up a no charge, no obligation consultation to discuss your case. We have close to 10 years of experience handling Real Estate, Personal Injury, Immigration and Commercial Litigation cases throughout Miami and South Florida, and will use our expertise to help your case to the best of our abilities.