

# *What is Loan-to-Value (LTV) Ratio for Refinancing?*

Loan-to-value ratio (LTV) is the percentage of how much your home is worth compared to what you owe on your mortgage. Your LTV has a direct impact on the amount you can borrow, so it is important to know what it is and how you can calculate it before starting the home refinance process. The loan-to-value (LTV) ratio can impact what type of refinance loan you might want to get and how much money you can borrow.

Lenders set limits that dictate the amount of home equity you can use to borrow money. Generally, they won't allow you to exceed 80% LTV when obtaining a [cash-out refinance](#). However, some lenders may allow you to have an LTV of up to 95% on a [HELOC](#) or home equity loan.

## How to Calculate Loan-to-Value (LTV) Ratio

Calculating your LTV ratio is easy. Follow the formula below:

### Loan-to-Value (LTV) Ratio Formula:

$$\text{LTV} = (\text{Loan Amount You Owe}) / (\text{Total Value of Home}) \times 100$$

If you owe \$250,000 on your mortgage and your home is valued at \$400,000, your loan-to-value is 62.5%.



$\$250,000 / \$400,000 \times 100 = 62.5\%$  In this example, if you apply for a home equity loan or HELOC, you could borrow up to 17.5% of your home's total value, which translates to approximately \$70,000. That would bring your loan-to-value to exactly 80%. The percentage of loan to value to borrow against varies by

lender and loan type. Some lenders won't allow you to borrow past this threshold because they want to ensure that the home still has positive equity — if home values drop, the lender would still be able to recoup their money should you default on your loan. This would not be the case if they allowed you to use all your home's equity.

Ready to leverage your home's equity to achieve your financial goals? If so, contact your KeyFactor&Co loan officer to find out about home equity financing options and connect you with a trusted lender for current refinance interest rates.