

Example 2

A client would like to refinance her 1st mortgage in the amount of \$185,000. She has told you that her home is worth \$222,000. What is the LTV of this proposed mortgage?

Solution

$$\text{LTV} = (\text{Proposed 1}^{\text{st}} \text{ mortgage amount} / \text{Property value}) \times 100$$

$$\text{LTV} = (185,000 / 222,000) \times 100$$

$$\text{LTV} = (8.33333333\text{E-1}) \times 100$$

$$\text{LTV} = .83333333 \times 100$$

$$\text{LTV} = 83.33\%$$