



COURSE 07 / Beginner / 15-20 min

LTV, LTC and LTACV Explained

Branded cheat sheet: the calculations and decisions to keep beside your next scenario.

Core decision checklist

1. Calculate each ratio using clearly defined inputs.
2. Distinguish current value, project cost and completed value.
3. Apply all relevant caps together.
4. Translate commitment into actual cash requirements.

Worked examples at a glance

01 LTV: Borrowing Against Accepted Value

Contract price is \$300,000 and accepted appraisal \$280,000. Under an illustrative lower-of purchase rule at 75% LTV, maximum financing is \$210,000. The purchase-price gap is \$90,000 before fees, not \$75,000. The investor cannot force the lender to use the higher contract price.

02 LTC: Borrowing Against Eligible Cost

Purchase is \$200,000 and eligible rehab \$50,000, so eligible cost is \$250,000. A \$200,000 commitment has 80% LTC. Another \$15,000 of excluded fees and carry raises economic uses to \$265,000, leaving \$65,000 from investor sources even though the simple cost-test equity was \$50,000.

03 LTACV: Borrowing Against the Finished Asset

A \$240,000 commitment against \$400,000 as-completed value gives 60% LTACV. If accepted completed value falls to \$350,000, the same loan has about 68.6% LTACV. At a hypothetical 65% limit, the reduced-value maximum becomes \$227,500, creating a \$12,500 funding reduction.

04 Find the Binding Limit and Cash Gap

Eligible cost \$300,000 at 80% LTC gives \$240,000. Completed value \$350,000 at 65% LTACV gives \$227,500. Coverage supports \$220,000. The lowest cap is \$220,000. If total economic uses are \$325,000, investor sources must cover \$105,000, subject to timing and any other deductions.



Apply it to your deal

Use documented inputs. Keep lender qualification, investment economics and cash timing visible as separate calculations.

Practice before submitting

LTV: Borrowing Against Accepted Value

Calculate LTV using both expected and lower appraised values. Identify whether your loan amount is funded balance or commitment. Ask the lender which value basis applies to a purchase and whether subordinate debt is allowed or included. Show the resulting acquisition equity separately from closing costs.

Find the Binding Limit and Cash Gap

Build a three-column table for LTC, completed-value leverage and income coverage. Circle the lowest applicable amount. Reconcile it with total project uses and show acquisition proceeds separately from later draws. Ask which changes require reapproval instead of assuming the original commitment remains fixed.

Quick glossary

LTV: Loan amount divided by accepted property value.

CLTV: Combined secured loan amounts divided by accepted value.

As-is value: Value in the property's current condition.

LTC: Loan amount divided by lender-eligible project cost.

Eligible cost: Documented spending accepted for a loan-sizing test.

Sources and uses: Reconciliation of funding with project requirements.

LTACV: Loan divided by accepted as-completed value.

ARV: Estimated after-repair value for a defined scope.

Primary-source reading

FDIC: construction and land development lending

These sources provide context, not universal program requirements. Formulas, eligible costs, qualifying income, seasoning and fees depend on the transaction. Examples are illustrative and are not actual loan offers.