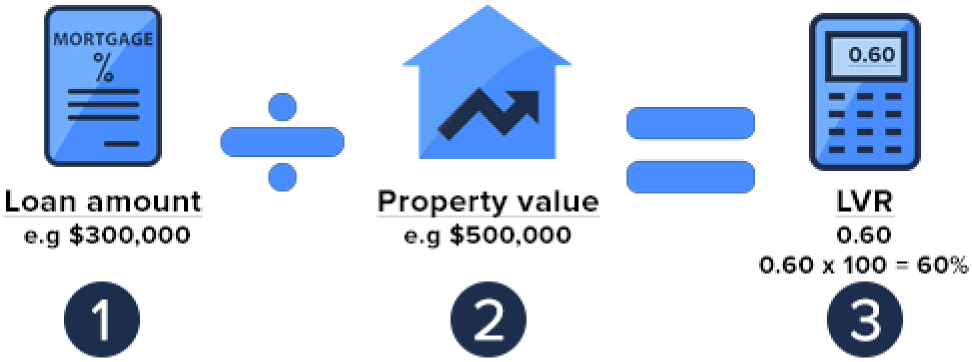
What is LVR?

The mortgage industry is a wide, wondrous world with a language all of its own. One of the many acronyms bandied about is 'LVR', which stands for 'loan-to-valuation ratio'. Here's what it means.

When My Mortgage Professionals is working out what amount you can borrow to purchase a property, the size of deposit you need to save and whether you are eligible for a particular mortgage product, the loan-to-valuation ratio (LVR) is one of the most important considerations.

In the simplest terms, the LVR is the percentage of the property's value, as assessed by the lender, that your loan equates to. So, if the property you want to purchase is valued at $500,000, and you need to borrow $300,000 to pay for it, the loan is 60% of the property value, making your LVR 80%.

LVR is important because different lenders and loan types have different maximum LVRs, and some lenders will only lend up to a certain LVR for certain properties in certain areas.



Most lenders will finance 80% LVR, or higher with Lenders Mortgage insurance (LMI), while *Alt doc or Low Doc loans may be limited to 60% LVR without LMI.

* Alt Doc stands for "Alternative Documentation" and are used by self-employed borrowers who have income evidence, but not in the form mainstream lenders generally prefer – usually 2 years' of fully audited and lodged tax returns with a Notice of Assessment (NOA). The terms Alt Doc and Low Doc are used interchangeably in the industry and really refer to the same thing.

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