

BE THE BANK

17 KEY REAL ESTATE METRICS BANKS USE

LOAN-TO-VALUE

Formula: $\text{Loan} \div \text{Property Value}$

Measures the loan amount vs. the property's appraised value.

LTV

LOAN-TO-COST

Formula: $\text{Loan} \div \text{Total Project Costs}$

Used for construction or rehab projects to compare the loan to total project costs.

LTC

DEBT SERVICE COVERAGE RATIO

Formula: $\text{Net Operating Income} \div \text{Debt Service}$

Assesses ability to cover loan payments from property income.

DSCR

NET OPERATING INCOME

Formula: $\text{Gross Income} - \text{Operating Expenses}$

Income after operating expenses (excluding mortgage payments)

NOI

CAPITALIZATION RATE

Formula: $\text{NOI} \div \text{Property Value}$

Measures return on investment based on income and value.

CAP RATE

GROSS RENT MULTIPLIER

Formula: $\text{Purchase Price} \div \text{Gross Annual Rent}$

Estimates property value based on gross rental income.

GRM

INTERNAL RATE OF RETURN

Estimates total annualized return over holding period, factoring time and cash flow.

IRR

CASH-ON-CASH RETURN

Formula: $\text{Annual Pre-Tax Cash Flow} \div \text{Initial Cash Investment}$

Shows annual cash income as a % of cash invested.

COC

BREAK-EVEN RATIO

Formula: $(\text{Operating Expenses} + \text{Debt Service}) \div \text{Gross Income}$

Helps assess risk of default if rents drop.

BER

OPERATING EXPENSE RATIO

Formula: $\text{Operating Expenses} \div \text{Effective Gross Income}$

Shows % of income used for expenses.

OER

VACANCY RATE

Formula: $\text{Vacant Units} \div \text{Total Units}$

Percent of property not generating rent.

***VR**

RENT ROLL ANALYSIS

Banks review current and historical rent data to assess income reliability and tenant quality.

RRA

REPLACEMENT RESERVE

Set aside funds for future capital expenditures (roofs, HVAC, etc.).

***RR**

REVERSION VALUE

Projected value at sale/end of investment period (based on expected cap rate).

RV

EXIT STRATEGY METRICS

Banks want to see clear refinancing, sale, or buyout scenarios — often with modeled IRRs or value forecasts.

***ESM**

DEBT-TO-INCOME

Borrower's personal financial strength (especially for residential or smaller commercial deals).

DTI

GLOBAL CASH FLOW ANALYSIS

Used for borrowers with multiple properties; assesses all personal + business income vs. obligations.

***GCFA**

*we might have come with abbreviations ourselves so we could follow the same style.
Do not use these abbreviations in your conversations with lenders.

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