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The Outlook

THE MORTGAGE CORNER

“Life Insurance for Your Mortgage”

A mortgage on a house is usually the largest debt a family ever has. If one of the mortgage owners were to die, it would likely mean hardship for the survivors. Sometimes it means the family is forced to sell the property to pay off the loan.

Life insurance to cover off an outstanding mortgage is one of the most important financial planning decisions you will ever make.

Your financial institution will likely offer to sell you coverage when you sign your new mortgage documents. Or, if you declined coverage originally, they may try and sell it to you later. The creditor insurance the bank sells will only cover the outstanding balance of the mortgage. No additional benefit is paid to your estate.

Should you take the coverage the bank is offering, or should you shop around? That depends on a few things. If you know yourself well, and you know that you'll never get around to shopping for rates, you should probably take the coverage offered to you. Then you can sleep at night, knowing your family is protected. Plus, you always have the option of shopping around for a better rate later, because you can always cancel the coverage you originally signed up for.

Sometimes people have life insurance coverage through their workplace. If you plan to use this coverage to offset your mortgage, do some checking to find out how much coverage you really have, or if you can add on to your existing policy. Maybe you can add your spouse on to your work policy, for less money than the bank is charging.

Another option is to get coverage by buying a separate term life policy. This may be a less expensive alternative for you. The term policy will provide a steady amount of coverage, and won't decline with your mortgage balance, like the creditor insurance will.

As well as life insurance, some financial institutions now offer disability and health crisis insurance coverage for your mortgage. People who are self-employed may be particularly interested in this additional coverage.

It's a good idea to review your insurance coverage at least every five years, to see if you have the proper coverage in place. Speaking with your mortgage broker can help you determine if you have the right amount of insurance coverage.

Midwestern Mortgage