

Is mortgage or term life insurance the best choice for you?

Whether you're buying a home for the first time, or refinancing an existing mortgage, someone has probably suggested you purchase mortgage life insurance. But don't rush into buying a policy until you've looked at all the possibilities. You could end up saving money and getting added life insurance coverage at the same time by purchasing a term life insurance policy instead.

What is mortgage life insurance?

Mortgage life insurance, also known as mortgage insurance or creditor insurance, is offered by most banks and lending institutions. It is a life insurance policy that pays the balance of your mortgage to the lending institution if a person listed on the mortgage passes away.

How does term life insurance cover your mortgage?

When you purchase a term life insurance policy, you take into account all the money your family will need in case you are not around to help out. This includes your [mortgage payments](#).

Mortgage life insurance / Line of Credit Insurance vs. term life insurance

With a Life Insurance Company	With a Bank or Trust Company
You purchase an individual policy .	The coverage is under a group policy .
You own the policy - you have complete control over it.	The bank owns the policy - you have no control over it.
You have a premium rate that is guaranteed in advance, the company cannot decide to change it.	The group policy premiums can be changed if the company decides to raise premiums for the group.
You may purchase any amount of coverage . You can simply add the coverage to existing insurance.	The coverage is for the outstanding amount of the debt . As your mortgage reduces, your insurance decreases.
The insurance company cannot cancel your insurance, only you can.	The policy can be cancelled by the bank or by the issuing company.
Your individual policy is fully portable . It is not connected to the mortgage and if you re-finance your mortgage with another bank, you do not need to re-qualify.	The coverage will terminate if you re-finance your mortgage, or if you sell your house, or if you pay off your mortgage, or if the bank forecloses on your mortgage.
You can convert this policy, regardless of your health.	The group mortgage policy is not convertible .

<p>You decide who your beneficiary is. Upon death, your beneficiary will receive the proceeds and your beneficiary decides how and where to use those funds. The proceeds of a life policy are protected from all creditors, including a bank.</p>	<p>The bank is your beneficiary and the death benefit is automatically used to pay off the mortgage, regardless of the wishes or circumstances of your dependents.</p>
<p>If you use level term, and insure both the husband and wife individually then both policies pay benefits in the event of both deaths.</p>	<p>If you and your spouse are both insured on a bank mortgage policy, then only one payment is made in the event of both deaths.</p>
<p>You are buying the coverage from a licensed broker or agent who has been trained to understand your overall need for life insurance and how to integrate that with your total need.</p>	<p>You are buying insurance from a bank employee who is perhaps not licensed and who receives no training in determining your total need for life insurance.</p>

Why Math is Important

On that **\$500,000**-as a **40 year old**-you would be paying about \$105/month for mortgage insurance (not including disability). For 20-year level term life insurance, you would pay about \$58/ month for that much coverage (non-smoker, subject to medicals).

Let's go through the years again:

Year 2013: Mortgage value **\$500,000**. Mortgage insurance: **\$105/month**.

Year 2013: Life Insurance value **\$500,000**. Life insurance: **\$58/month**.

Year 2023: Mortgage value **\$321,000**. Mortgage insurance: **\$105/month**.

Year 2023: Life Insurance value **\$500,000**. Life insurance: **\$58/month**.

Year 2032: Mortgage value **\$41,391**. Mortgage insurance: **\$105/month**.

Year 2032: Life Insurance value **\$500,000**. Life insurance: **\$58/month**.