

Lender Mortgage Insurance or Term Life Mortgage Insurance; What is the difference?

When you purchase a home and arrange for a mortgage you are always asked if you want to purchase insurance so that the mortgage gets paid in the event of one of the owner's death. Before you say yes to your lender's mortgage insurance, you should know that you have other options. Take a look at the differences between protecting your mortgage with an individually-owned term insurance plan versus most lenders' mortgage insurance.



	Term Insurance	Lender Insurance
Ownership	You own and control your policy.	Lender owns and controls the policy.
Premiums	Discounts on your premium if you are healthy with a healthy family.	No discounts on premiums for healthy people.
Coverage	Any amount you choose and will not decrease.	Covers remaining mortgage only.
Portability	Refinance with another lender without having to re-qualify or buy a new policy.	Coverage terminates if you refinance with another lender.
Convertibility	Regardless of your health, the policy is convertible to permanent insurance.	Not convertible.
Combining Policies	If you have other insurance needs you can combine all insurance and get a lower rate with your own plan.	Separate policy for the mortgage and other policies for other insurance needs.
Beneficiary	You choose the beneficiary and can change the beneficiary anytime.	The lender is the beneficiary and death benefit can only be used to pay off the mortgage.
Control	You own the insurance and it is not tied to the mortgage lender. You have complete freedom to change mortgage lenders.	The bank controls the policy, the money and pays off the mortgage.

Questions you should ask before obtaining mortgage insurance.	Term Mortgage Insurance	Lenders' Mortgage Insurance
<p>Can I choose my own beneficiary for the insurance proceeds?</p> <ul style="list-style-type: none"> Because the mortgage lender is the policy owner, they automatically become the beneficiary of all proceeds. 	Yes	No
<p>Can I apply for more coverage for other needs?</p> <ul style="list-style-type: none"> You can apply only for an amount equal to the initial mortgage through a mortgage lender. 	Yes	No
<p>Will my coverage remain level throughout the mortgage period?</p> <ul style="list-style-type: none"> The amount of coverage available through a mortgage lender is limited to the outstanding mortgage balance. This coverage amount decreases with each mortgage payment made, but your cost will remain the same. 	Yes	No
<p>Are my premiums fully guaranteed in the contract?</p> <ul style="list-style-type: none"> Premiums paid through a mortgage lender are on a group basis and therefore can be increased on a group basis if the experience of that group becomes unfavourable. 	Yes	No
<p>Could I pay less if I am in good health and do not smoke?</p> <ul style="list-style-type: none"> Most mortgage insurance available through lenders consider only the age of the borrower to determine your cost of insurance. There is no preferred pricing for better health risks. 	Yes	No
<p>Does my coverage stay in force if I move or change mortgage lenders?</p> <ul style="list-style-type: none"> Since mortgage lenders only offer coverage to protect the outstanding mortgage balance, once your mortgage is paid off, regardless of time, your insurance coverage will cease. 	Yes	No
<p>Can I convert my coverage to a permanent plan, even if my health has changed?</p> <ul style="list-style-type: none"> There are no conversion privileges with your lender's mortgage insurance. 	Yes	No
<p>Am I guaranteed to receive advice from a licensed insurance advisor?</p> <ul style="list-style-type: none"> Service representatives with mortgage lenders are not licensed insurance advisors, and therefore cannot offer expert advice regarding your insurance needs. 	Yes	No



When you buy a home, you choose a property that suits your needs. You can have the same control over choosing your mortgage protection. So, before you say yes to mortgage insurance, consider an insurance product designed to protect you and your loved ones – not your lender.