

Why Do I Need Mortgage Insurance?

When you start looking into home loans you may find that a lot of lenders will require that you pay for mortgage insurance or mortgage insurance has to be a part of the deal. This is especially true if you get an FHA loan or any type of federally insured loan. You might wonder what this is all about since this type of mortgage insurance doesn't actually provide you any insurance, but it's a good deal. While you may be required to keep mortgage insurance for your loan you can also opt for your own mortgage insurance, too!

Home Loans and Mortgage Insurance

Home loans are something that a lot of people dream of having so that they can own their own home. When most of us dream of owning our own home we never fathom that we could get into a position where we are unable to pay our mortgage and run the risk of having our house foreclosed on. While no one ever thinks that this will happen to them, there are millions of people that are losing their homes every year and they never planned on it.

When you are required by home loans to keep mortgage insurance this is so that if you default on the loan the lender will be paid the principal amount due on the loan. Basically, the lender is secured from a possible default through this mortgage insurance, which is why they may have agreed to lend to you even if you have less than perfect credit or have experience bankruptcy or foreclosure in the past.

In addition to the mortgage insurance that is required for some home loans you can also buy your own mortgage insurance that will not protect the lender but will protect you. Many people are able to get this insurance for as little as \$50. For \$50 you can pay for insurance that will make payments on your home for you if you are laid off from a job, too ill to go to work for extended periods, or even if the primary borrower dies and their spouse cannot make the payments on the house. Wouldn't it be nice to know that if something happened to you that your home would be paid off?

Mortgage insurance is something that everyone should consider when they are buying a home. While no one likes to think that foreclosure could happen to them, it could. Things happen all the time that we don't expect such as the loss of a job, an injury or illness that does not allow for us to work, divorce, and even death. These are not the things that most of us can plan for and many times it is loans and homes that are lost because of it. You can protect yourself, your home, and your family with very little each month out of pocket but it could mean saving your home later on. Hopefully you'll never need to call on this type of insurance coverage, but it's better to have it and not need it than to need it and not have it. If you have a home loan you should definitely look into this type of coverage because it can be very affordable and it can help you out in a big way when you fall on hard times.

About the Author

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