

## Mortgage Insurance Tips

Buying a home can be a confusing process, and the paperwork involved can seem like it's written in a foreign language. You'll come across terms you've never encountered, like 'mortgage insurance'. You already have life and property insurance, so why on earth do you need mortgage insurance on top of it?

Mortgage insurance is an option available to borrowers, and it's a great tool for both you and your lender. By definition, mortgage insurance provides protection to the lender in case the borrower defaults on the payments. If this happens, the lost payments are covered and the lender receives the money owed in addition to the property title. As the borrower, you are responsible for paying the mortgage insurance premium. You have a choice of payment options, including an annual lump sum or a monthly amount added to your regular mortgage payments.

Sounds great for the lender, but how does mortgage insurance benefit the borrower?

Mortgages are huge financial transactions, and lenders are taking a chance with their money. It's important that you can prove to your lender that you are committed to repaying the loan. One way of showing this commitment, and proving that you will be able to afford the monthly payment, is to make a down payment. Mortgage lenders generally ask for a down payment of about twenty percent, and you probably don't have that much cash on hand. However, by taking mortgage insurance, your lender can reduce your down payment significantly # to as little as ten or even five percent. Of course, this is a much more manageable amount for homebuyers. In this way, mortgage insurance is a huge benefit to homebuyers who just don't have the cash on hand to make a twenty percent down payment. You are still able to prove your worth, and the lender will be confident enough to trust you with a loan.

There is another benefit to taking mortgage insurance. Because you have raised confidence in your lender, he or she will be less likely to run lengthy checks on your credit and character. This can certainly speed up the entire process, and can help you take ownership of your property much sooner. Mortgage insurance increases your buying power, helps you negotiate a good mortgage agreement, and lets you close the deal faster.

Learn more about all of your borrowing options, including mortgage insurance. It's a lot to take in, but it will ultimately protect your best interests and get you on the road to home ownership sooner.