

Vancouver British Columbia Real Estate - Buying a Home in Vancouver British Columbia Mortgage life I

Mortgage life Insurance- Which is the better choice?

You have just been approved for your financing on your new home. The lending officer or mortgage specialist is now offering you mortgage insurance through the bank. You answer a very small number of questions and presto you are covered. Do you really understand what your family has just purchased?

You have two choices in reality and the second one has not been presented to you. Taking a few moments to compare the two choices could save your loved ones a lot of grief and financial anguish.

The first kind of mortgage insurance is sold to you through the bank or other lending institution at the time you are signing off on one of the largest purchases you are likely ever going to make. It is called group creditor mortgage insurance. You are most likely going to be in a weak position to say no. You do have the need for some insurance coverage to protect your family in the event of your premature death. The person across the desk has just lent you a large sum of money so may feel somewhat beholden to them.

The following is what you are buying when you buy group creditor mortgage insurance:

- #1. The Lender is the sole beneficiary and owner of the policy. This means the mortgage is retired in its entirety at your death. There are no other options period.
- #2. The death benefit declines over time. Let us say that you bought coverage for \$250,000 at the beginning of the mortgage amortization period. In year 10 you have reduced the mortgage to \$150,000 principal owing. If you were to die with that amount outstanding that is what the creditor coverage would pay off.
- #3. The premium in fact increases over time as the rate stays the same or goes up and the amount owing has decreased steadily over time. It becomes very expensive the closer you move to paying off the mortgage. You receive less and less value!
- #4. The lender can cancel the policy at any time without any notice to you.
- #5. The policy is not transferrable. This means if you switch to another lender you have to sign up all over again. The challenge with this is that you may become uninsurable because you are now in poor or impaired health. You are also going to be older and the rates move up with age not down.

There is a choice and it follows:

LIFE Insurance

- #1. Mortgage insurance is simply life insurance. Life insurance does one thing only and it raises cash and in most cases it is tax free.
- #2. You take out a life policy which can be 1 year, 5 years, 10, 20,30 years or longer and you are the owner.
- #3. As the owner you decide who is going to get the cash upon your death. For example the beneficiary may decide to invest the life insurance proceeds elsewhere instead of paying off the mortgage.
- #4. The death benefit or the amount of coverage stays the same for the entire period of coverage chosen. In most term insurance policies the rate does not change. You have certainty on pricing.
- #5. No need to re-apply to another insurance company if you switch lenders because you have your own policy independent of the lender.
- #6. You can choose to cancel the policy at any time. Once in force the insurance company cannot cancel the policy unless they can prove fraud occurred at time of application.

YOU DECIDE WHICH IS THE BETTER CHOICE

Sample rates:

Age	Sample Creditor Mortgage Insurance	Leading Life Insurer's
30	\$18.00 Monthly	\$17.23 Monthly
35	\$26.00 Monthly	\$18.59 Monthly
40	\$40.00 Monthly	\$23.22 Monthly
45	\$58.00 Monthly	\$32.55 Monthly
50	\$80.00 Monthly	\$49.16 Monthly

Rates based on Male, Non Smoker, \$200,000 of Coverage, Standard Risk, Term: 10 Years, and monthly premiums.

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