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Basics of Mortgage Insurance for Borrowers and Lenders by [Genny Stutesman](#)

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Most houses, especially premium real estate, can be acquired by applying for a mortgage. A mortgage is a type of loan wherein a property is used as guarantee for the payment of a debt. This has become a common method by which individuals can purchase commercial or residential real estate.

A mortgage is paid in installments for several years depending on your contract. If you consult with a mortgage agent, he might recommend that you get mortgage insurance. There are two basic types of mortgage insurance and it's important that you know the difference.

Private Mortgage Insurance

Private mortgage insurance or PMI becomes a mandatory insurance policy when you only pay less than 20% down payment of a property's purchase price. This is necessary because the lower the amount of payment you give, the greater the risk to the lender. Take note, PMI mainly protects the lender in case you default on your loan and he is unable to resell your property to cover the mortgage.

The cost of PMI which you will have to pay every month depends on the home's loan-to-value ratio. In Dallas mortgage borrowers would much prefer to avoid PMI by making a down payment of 20% or higher if they can. Otherwise they will have to pay the monthly PMI along with the property's interest, insurance and principal.

Mortgage Life Insurance

Mortgage life insurance is a voluntary insurance policy that will pay off your mortgage in the event of untimely death or the occurrence of an incapacitating disease. This type of mortgage insurance works in favor of the borrower, which makes it the opposite of PMI. Borrowers researching about dallas mortgage loan and mortgage life insurance in particular are informed that this policy will permit their dependents to keep the house without being overwhelmed with mortgage payments.

The suitability of mortgage life insurance in your case will depend on factors like your age, dependents, health risks and the amount borrowed on the property. Some dallas mortgage loans borrowers prefer to buy a traditional life insurance policy, which offers better protection for smaller premiums. If you feel confused about what you should do, you can always consult with a life insurance agent who will break down the technicalities for you. Life insurance agents can perform an analysis of your insurance needs and help you make a better decision. You can also read more about these two types of mortgage insurance at easyrentaltools.com/index.cfm?event=article&title=mortgage-insurance-vs-mortgage-life-insurance.

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[Genny Stutesman](#) - About Author:

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