

Insurance is something that seems easy enough to understand, but when it comes to homeownership, there are some important differences in what may be required. Some insurance protects you and your home, while other types protect your lender. Navigating through all the terms is part of being a savvy homeowner!

Homeowner's Insurance

Homeowner's insurance, also known as hazard insurance, covers the structure of your home and your personal property as well as your personal legal responsibility for injuries to others while they're on your property.

You are required to maintain homeowner's insurance when you have a loan and it is strongly recommended that you continue coverage to protect your investment.

Credit Life Insurance

Credit life insurance is optional coverage that pays off all or some of your loan if you die during the term of coverage. NDHFA **does not** offer this type of coverage. It can be obtained through an insurance agent.

If you are not able to buy life insurance through regular channels, credit life insurance may be an option for you. It is very important to weigh the pros and cons and your choice should be based on your needs and what you can afford.

Mortgage Insurance

Mortgage insurance is a policy that protects the lender against financial loss if a borrower defaults on their loan. A lender usually requires a borrower to purchase mortgage insurance if the down payment is less than 20 percent of the purchase price. The type of mortgage insurance coverage you have (Private Mortgage Insurance or FHA Mortgage Insurance) is determined at loan origination according to your circumstance.

While mortgage insurance is an added expense to the borrower, it makes it possible to qualify for a loan when only a small down payment can be provided.



More information about mortgage and homeowner's insurance can be found on NDHFA's website at www.ndhfa.org/AccountServices/HomeownerGuideFINAL.pdf. Remember, when purchasing any insurance, it is very important to make sure you are dealing with a reputable insurance company. The North Dakota Insurance Department recommends that you STOP before signing anything or writing a check; and CALL the state insurance department to CONFIRM that the insurance company or agent is licensed to sell insurance in North Dakota.