

## Mortgage insurance 'blessing'

### Decision to do without it cost woman her home

By Denise Deveau For Canwest News Service, May 9 - 15 May 8, 2009



June Jell lost her family home after she and her husband declined mortgage life insurance six months before he died of a heart attack.

Photograph by: Hugh Wesley, for Canwest News Service

June Jell will never forget the time she and her husband John sat down with their agent and turned mortgage insurance down flat. Six months later, he died suddenly of a heart attack at the age of 59, leaving her struggling to keep up with house payments. While she got back on her feet eventually, it wasn't without sacrifices along the way — including the family home. Now, she tells everyone she knows, "If you can get it, take it. We thought mortgage insurance was expensive at the time and because of our age, believed we could handle everything." In retrospect she realizes, "It really wouldn't have been that expensive after all. It would have been a blessing."

Insurance of any kind is one of those things people like to put on the back burner or do without. "A lot of homeowners don't want to add the cost of insurance to their mortgage payment," says Feisal Panjwani, a senior mortgage consultant with Invis Inc. in Surrey, B. C. "One of the biggest mistakes they make when they sign their mortgage is declining insurance, thinking they will research it on their own. "Nine times out of 10, they don't get around to it. Then when something goes wrong, it's too late."

It's not surprising some homeowners balk at mortgage insurance, especially when they feel they are already stretching their monthly payments to the maximum. Especially in these economic hard times, however, you can't afford to be without it, says Jennifer Hines, vice-president of creditor insurance for RBC Insurance in Mississauga, Ont. "Clients at all stages need to make sure their mortgage is protected," she says. "Some have life and disability insurance, but the family still could be left holding a debt on what tends to be a person's largest individual debt obligation." The ideal time to look at options is when you do your mortgage application. The most common are insurance tied to the mortgage itself, or to the lender. Tying insurance to a mortgage balance is usually preferred since you can switch

lenders and keep the same policy. This reduces the risk of facing higher premiums or finding out you are uninsurable when you reapply at another bank, says Lorne D. Greenwood, a real estate lawyer based in Milton, Ont. "Getting insurance through an independent broker to cover the same amount means you won't have to re-qualify with each mortgage," he says. This is also a good choice when your mortgage balance decreases and you want to reduce your premiums.

Panjwani notes that it's especially important for first-time or younger buyers to get coverage because the mortgage balance is high, insurance premiums tend to be in their favour and medicals are not generally required. For those who think their disability and life insurance policies are enough if things go wrong, that may not be the case, warns Hines. "Typically disability policies will only pay 60 to 70 per cent of your monthly income, so there is still a gap," he says. "You still need coverage for other expenses. We tell people it doesn't have to be an either/or situation. 'We also suggest they consider whether they need to top up what they have, so they don't have to be concerned about mortgage payments if a death or disability.'"

When it comes to high-ratio mortgages, according to the Bank Act anyone borrowing more than 80 per cent of the value of the property must insure the mortgage to protect the lender against defaults. The premium for this default insurance (not to be confused with conventional mortgage/life insurance coverage) is paid once at the time of the closing, at a rate that varies between 0.5 to 3.75 per cent of the mortgage amount. Title insurance is also an increasingly important option for protection against title problems and fraud.