

# Insurance

Last Modified on 08/02/2023 5:29 pm EDT

---

## Mortgage Insurance

### What is mortgage insurance (MI)?

This is an insurance policy that protects the lender in case of default, allowing them to approve a loan they might not have otherwise. MI can make buying a home with less than 20% down possible. If you're required to pay for MI, it's typically included in your total monthly payment, your closing costs due at closing, or both.

Based on the loan program, MI can be paid in different ways:

#### Conventional Loan

Your lender may arrange for private mortgage insurance (PMI) with a private company. PMI rates are typically less expensive than FHA rates for people with solid credit. Most PMI is included in the monthly payment, with little or no upfront payment required on closing day. Eligible homeowners may be able to cancel PMI under certain circumstances.

#### Federal Housing Administration (FHA) Loan

All FHA loans require FHA mortgage insurance. The cost is the same for all credit scores, but there's a small price increase if you put down less than 5%. MI on FHA loans includes an upfront cost (can be financed into the mortgage) and a monthly cost (added to your monthly mortgage payment).

#### U.S. Department of Agriculture (USDA) Loan

The insurance structure is the same as FHA (upfront and monthly premiums), but the cost is typically cheaper than FHA. You also have the option to finance the upfront USDA insurance fee into your mortgage.

#### Department of Veterans' Affairs (VA) Loan

There is no monthly mortgage insurance premium on a VA loan. But there is an upfront, one-time funding fee that varies based on the veteran's type of military service, down payment amount, and other factors. A VA borrower can pay the funding fee in full at closing or finance it into the mortgage.

## Homeowners Insurance

### What is homeowners insurance?

Homeowners insurance, also known as hazard insurance, is a policy that covers damages to your home, your belongings and accidents as outlined in your policy.

## **Is homeowners insurance required at closing?**

Yes, proof of homeowners insurance will be required before you can close your home.