Credit Life Insurance. Life insurance that will pay off the mortgage on your house.

Credit Life Insurance is a type of life insurance that pays the balance owed on your mortgage in the event of your death. If you have credit life coverage prior to refinancing, you may have difficulty transferring the coverage to the new mortgage. Your ability to effect this transfer may hinge on: 1) an agreement with your lender and 2) the amount of coverage for the existing mortgage being less than the new mortgage amount, since credit life is a declining term coverage. This type of policy requires an annual premium.

Ask your attorney.

This summary of insurance options is not a substitute for a knowledgeable attorney to stand at your side through the process of buying or refinancing a home. The attorney you work with is there not only to protect your interests, but to help you understand the different aspects of what goes into a successful real estate transaction.

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Types of Insurance You May Need for Your Home

A guide to options and necessities when you finance or refinance a home

Buying a home? Speak with an attorney.

How your real estate investment stays protected.

Mortgage lenders are in the business of helping you, the borrower, get the money you need for the home you want. To protect their investment, mortgage lenders sometimes require different forms of insurance. Here's a look at the major types.

Title Insurance. A Mortgagee Policy to cover the lender, and an Owner Policy to cover you.

Mortgagee Title Insurance is almost always required by lenders to protect them from any liens or other irregularities in the history of your title that may have financial consequences. The Mortgagee Policy is paid for with a one-time premium at closing. But protecting the mortgage lender doesn't protect you. For example, if a past-due property tax bill suddenly surfaced after you closed on your property, you'd have to pay it.

The Owner Title Insurance Policy protects you personally against loss from title irregularities. It, too, is paid for by a one-time premium, due at closing. It insures that your interest in the property will be secure at the time of your purchase. So, if a past-due property tax bill comes up after the purchase, your Owner Policy protects you. In addition to the Standard Owner Policy, there is also an Expanded Protection Owner Policy that provides even greater coverage. Your attorney can answer any questions you might have concerning the differences in coverage.

When you refinance your home, you will need to secure a new Mortgagee Policy for the lender, covering the new loan. This will require a new title search to determine if any liens, encumbrances or transfers of interest regarding the property have occurred since the previous mortgage was recorded.

Casualty Insurance. Otherwise known as "Homeowner's."

This type of policy protects you and your lender against loss resulting from fire, theft, a tree falling on your roof, and other unfortunate events. Because these calamities can reduce the value of your property below the amount for which it is mortgaged, your mortgage lender will insist on having its name added to the Casualty Insurance Policy when you secure an initial mortgage or refinance. This type of policy requires an annual premium.

Flood Insurance. It's not covered by your Homeowner's Policy.

You might think that a Homeowner's Policy would provide coverage against a disaster like flooding. Not so, which is why it is offered separately. If your property falls within a designated flood hazard area, your mortgage lender will insist that you have this insurance, and that its name is on the policy. The coverage is valid for the term of the policy (usually one year) and an annual premium is paid to keep it current.

Private Mortgage Insurance. When you have to finance more of the value of your home.

In some cases, the amount of money you borrow from your mortgage lender may be high compared to the value of the property. If you finance more than 80% of the value of your property, you may need to secure Private Mortgage Insurance (PMI) to protect the lender. This type of insurance is paid for annually, and its rate often decreases each year. Once you have obtained 20 percent equity in your property, you will generally be able to have your PMI policy canceled.