

Mortgage Insurance vs Life Insurance

FEATURE	MORTGAGE INSURANCE	LIFE INSURANCE
Control	The bank is the beneficiary of the insurance, and they use the insurance proceeds to pay off the mortgage. But this way, the consumer lacks control. For example, if the homeowner was in the middle of a mortgage term, the bank would use the insurance proceeds to pay off the mortgage and then the bank might charge the survivor a mortgage breaking penalty, because you are not allowed to pay off your entire mortgage in the middle of a mortgage term.	When you buy your own life insurance, you control it. This way the survivor receives the proceeds and can decide themselves when to pay off the mortgage.
Payout Structure	Payout decreases as your mortgage balance drops, with premium staying the same. Once you pay off your mortgage, your coverage and premiums end.	Payout remains fixed for the policy term, even if you pay off your mortgage.
Benefit Use	Used only to pay off the remaining mortgage balance.	Can be used for any need: income, debts, education, etc.
Portability	Tied to the lender. You lose coverage if you switch lenders. You will need to re-apply with the new lender.	Your policy stays with you even if you renegotiate or transfer your mortgage to another lender. You don't need to re-apply or prove your insurability again.
Ownership	Lender owns the policy.	You own the policy and choose your beneficiaries.
Underwriting	Lender may ask some medical questions when you apply. However, they may ask for more medical information if there is a claim. Typically, underwriting is done at the time of the claim.	You may have to answer some medical questions or take a medical exam to be approved for coverage. All the underwriting is done upfront at the time of application for coverage.
Flexibility	No options for coverage as its one size fits all. Amount is based on your initial mortgage owing.	You choose coverage amount, type of product, length of time, riders etc.
Cost Efficiency	It can become costly long term for limited benefit.	Often lower costs and greater value over time.