



What is Mortgage Insurance and Do You Need it?

Debbie Siegel, *President*, WESTCHESTER MORTGAGE



Mortgage Insurance (MI) is *required* insurance on mortgage loans that have less than a 20% down payment. It covers the lender against a potential default by the borrower, and is a premium paid -

by the borrower - to cover the bank's added risk.

MI is often confused with life insurance or home owner insurance. **A critical difference however, is that MI protects *the bank* and in no way protects the borrower.** The only benefit the borrower receives is the ability to buy or refinance a house without putting 20% down.

When looking at your options, it is important to remember that MI is not tax deductible. The IRS allows you to deduct the interest of the mortgage itself, but not the MI, which falls under the same category as services provided by the lender (just like the appraisal fee).

There are a two key points to remember about MI. First, it can be dropped once you reach 20% equity in the property. You can have the property re-appraised and submit that to the lender. Second, you can avoid MI all together by taking out two separate loans: A 1st mortgage for 80% of the value and a second mortgage for the rest.



Got questions about real estate financing?

Contact Debbie@westchester-mortgage.com or 617-965-1236. She'll consider them for inclusion in a future column. Debbie Siegel is president of Westchester Mortgage in Newton, Massachusetts. She is licensed in several Northeastern states.