

Hazard Insurance



While you may wax poetic about your home and all it means to you, to your lender, your home is just collateral for your loan. If you ever default (not that you will), your lender will rely on your home to pay them back. This makes lenders pretty keen to know that, should a disaster strike your home (not that it will), you have insurance coverage adequate to either repair the damage or pay off your mortgage.

What is it?

Pretty interchangeably, you'll see this insurance referred to as "homeowner's", "hazard" or "fire" insurance. All refer to exactly the same thing.

Most loans require that you cover 100% of the cost to reconstruct your home or at least the loan balance with no more than a 5% deductible, but different loan loans carry different insurance requirements. If you are buying a condo, your homeowners' association dues likely include insurance for the structure and exterior. You just need to insure the interior of your home with something called an "HO6" policy. If you are buying a rental property, your policy must include six months of "rent loss" coverage. This coverage is pretty cheap and pays you for any lost rental income while the property can't be occupied due to a claim.

What else does it cover?

You'll get some additional, valuable coverage from your homeowner's policy. Coverage of your personal property against losses due to disaster or theft is pretty standard, as is liability protection for accidents. Typical policies exclude coverage for floods, termites, mold, earthquakes, war and terrorism, but you can talk to your agent about purchasing added coverage for these sorts of things.

You can work with any agent you'd like (or ask and we'd be delighted to provide a referral).

Tip: If you get quotes from more than one agent, have them quote your car too. Discounts always seem to come with the auto policy.

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