

Homeowners Insurance

All lenders on residences being financed and occupied by the owner(s) normally require homeowners insurance. This furnishes protection on the property from loss or damage for both the homeowner and the lender. This type of insurance also covers garage, storage sheds, fences, personal possessions, etc. The amount of insurance coverage is usually based on the amount of the loan or set by an insurance evaluation (replacement cost approach) on the house, similar to a real estate appraisal. It is the buyers' responsibility to obtain this insurance before closing.

Homeowner's insurance coverage and rate are automatically reviewed by the insurance company annually and upgraded based on the local cost index. If the lender is *escrowing* for the homeowners insurance, the lender receives an annual statement from the insurance company for the premiums. In most cases, the homeowner receives a copy of the annual insurance renewal policy and premium; with twelve months prepaid (plus two additional months) at closing.

It is important the information on all insurance policies be shown precisely the way the lender requires it. This information is best obtained by the insurance agent working directly with the lender. Also, with very few exceptions, lenders require an actual insurance policy at closing and will not close on a binder.