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How mortgage protection insurance pays your mortgage after layoff

4 min read

By [Michele Lerner](#) Posted : April 21, 2020

If you lost your job today, how many more months would you be able to pay your mortgage? If you're like the average American, the answer is, "not many."

[Nearly 80% of Americans](#) live paycheck to paycheck. More than 25% don't save any money each month. That could leave you in financial straits if you lost your job.

There are ways to protect your family and home. These products include job loss mortgage insurance, supplemental unemployment insurance, disability coverage and life insurance.



Not everyone qualifies for job loss coverage and it's not widely available. However, there are several options for you if your emergency savings is insufficient and you find yourself unemployed.

How mortgage unemployment insurance work?

Job loss mortgage insurance is designed to do one thing -- keep you from losing your home if you lose your job. Typically, if your job loss is covered (see below), your insurer takes care of your monthly mortgage obligation for you.

There are policy limits -- a maximum monthly amount and a maximum number of months that your mortgage will be paid while you're unemployed.

“Job loss insurance is good for people who always live paycheck to paycheck and could find themselves going under if they do not have some type of insurance policy available to them. Make sure to weigh the pros and cons to see if the amount of money being put towards an insurance policy is beneficial in the long run or not,” said Matt Edstrom, chief marketing officer at GoodLife Home Loans.

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Qualifying for job loss mortgage benefits

Not everyone is eligible for job loss mortgage coverage. Many people prefer other insurance products over this type of coverage.

“Job loss mortgage insurance only covers people who were full-time workers. There are a few policies available, but they are oftentimes rather expensive,” said Edstrom.

Beyond having few job loss mortgage company options, you may not qualify for coverage. You probably won't qualify for this insurance if you're:

- Currently unemployed
- Retired
- Self-employed
- Working on a temporary or contract basis
- In the military full-time
- Under 18 or over 60 years old

Not every type of job loss is covered either. You may not be eligible for benefits if your job termination doesn't meet the insurer's definition of "involuntary," such as getting fired.

Job loss mortgage insurance disqualifications

Even if you have a job loss mortgage insurance policy, you likely won't be a payout if:

- You quit your job
- You were fired for cause
- Your contract expired
- You stopped working for medical reasons
- You stopped working because of pregnancy or other family-related reasons
- You stopped because of a normal, seasonal break in employment (think: ski instructor during the summer)

If you're a union member, you may or may not qualify for benefits in the event of a strike -- that's in the insurance policy fine print and may vary by company. You may also not qualify if you lose your job during the first 30 to 60 days of your policy. Most insurers impose this waiting period to prevent losses from homeowners who purchase insurance only because they think they're about to be laid off.

How to choose best mortgage protection insurance policy?

When it comes to job loss protection, the premium doesn't necessarily reflect the benefit's value. One company may offer a sizable monthly benefit and cover long-term job loss as well as disability. Another more expensive policy may not even provide enough coverage to pay your entire monthly mortgage payment. It might only be paid for a few months.

When you compare job loss mortgage insurance policies, go through the fine print and note:

- Premium amount
- Mandatory waiting period
- Maximum monthly benefit
- Number of months your mortgage will be paid
- Additional disability or life insurance benefits, if any

Alternatives to mortgage protection insurance

You don't necessarily need a special insurance policy to get help with your home loan if tragedy strikes.

In fact, many experts believe that job loss mortgage payment protection coverage is more expensive and less transparent than other types of insurance. Its main

advantage is that consumers who don't qualify for life or disability coverage, due to health or other concerns, can sometimes be approved for job loss mortgage insurance.

Here are alternatives to job loss mortgage insurance:

- [Disability](#)-- Benefit can be used for anything, including mortgage payments, if you can't work
- Supplemental unemployment insurance -- Pays monthly benefits that can be used for any purpose, including your mortgage
- [Life insurance](#)-- Benefit can pay off mortgage if you die
- [Business interruption insurance](#)-- Coverage for self-employed business owners

Note: Supplemental unemployment insurance policies cost about 1% of your annual salary per year. If you earn \$60,000 per year, your policy would come to about \$50 per month.

If you have sufficient savings to cover your expenses for two-to-six months, as personal experts recommend, you may not need job loss protection for your mortgage. If an income interruption would leave you homeless, though, this safety net is worth pursuing.

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