Make sure you are not paying for automobile or homeowners' insurance purchased by your lender when the lender thinks you do not have your own coverage. This lender-placed insurance is very expensive and offers less protection than insurance you purchase yourself. Cancel lender-placed insurance after binding your own insurance.

Unless your mortgage lender objects, reduce the cost of your homeowner's insurance by increasing your deductible, making sure your home is not insured for more than it will cost to replace, and by taking advantage of discounts the insurer offers for alarm systems or the like. Check with your agent about ways to reduce costs or shop around for a different insurance company.

Unless your auto lender objects, lower your premium by raising deductibles and getting rid of coverages you may not need, such as towing or alternative transportation, or even physical damage coverage for a very old car. Do you qualify for any insurance savings plans? Consider canceling and getting a refund for overpriced service contracts, GAP insurance, or other vehicle add-ons.

Private mortgage insurance (PMI) is usually initially required if the down payment on the loan used to purchase your house is less than 20% of the sale price. The insurance offers no protections to you—only to the lender. Once your home is worthy significantly more than your mortgage loan balance, the lender does not need PMI and it should be cancelled. Check with your servicer to see if you still have PMI and whether it should be cancelled.

Look into your life insurance and other insurance coverages with the help of a trustworthy insurance agent. You might convert a whole life policy to a term life policy in order to save money. Some policies may be “capped” or may include an option for deferring payments for a temporary period.

Source: National Consumer Law Center, Surviving Debt [50th NCLC Anniversary Edition], updated at www.nclc.org/library
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