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Higher mortgage balances drive need for life insurance - by Bill McDermott

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Bill McDermott

As the recent surge of the COVID-19 Omicron variant has subsided and restrictions have been relaxed, Americans are cautiously looking ahead to a possible return to a more normal way of life. One thing that hasn't abated, however, is the inexorable increase in housing costs, as sale prices over the past year have continued to reach levels never seen before.

Real estate brokerage Redfin recently reported that the national median home sale price increased 15% over the past year (and 32% over the past two years), to a record \$358,750.¹ According to The Warren Group, in Massachusetts the median home sale price reached \$510,000 in 2021, up 14.1% from the previous year and the first time the median year-end sale price has exceeded half a million dollars since their record-keeping began in 1987.²

The main factors contributing to the enduring strength of the housing market have included record low mortgage interest rates – which prompted a spike in refinancing either to reduce the rate on an existing loan balance, to take out additional equity for home improvements or to pay bills – and an ongoing lack of available inventory for purchase. While interest rates have begun to rise, inventory remains tight and selling prices have continued to defy gravity.

As a result, the amount of mortgage debt being carried by American homeowners increased again in 2021. Data from the Federal Reserve Bank of New York show that total mortgage balances at the end of the year stood at \$10.93 trillion, an increase of \$887 billion over year-end 2020.³

These trends serve to reinforce the necessity for homeowners to protect their loved ones from the risk of losing their home (and way of life) in the event of the death of one of the family breadwinners. Purchasing a life insurance policy or increasing existing life insurance provides this important protection by ensuring that, if needed, the money will be there to pay off your mortgage balance.

If you have recently taken out a mortgage to purchase a home, or are among those who have refinanced their mortgage, now is a good time to reevaluate your life insurance needs. Starting or growing your family should also be a major consideration when determining the amount of life insurance protection you should have. An easy-to-use life insurance calculator is available at [SBLI.com](https://www.sbli.com).

Guaranteed level premium term life insurance provides a set death benefit with premiums guaranteed to never increase over the term selected, usually 10, 15, 20, 25, or 30 years. Key considerations in determining your premium will be your age, health, and other underwriting factors.

A 20- to 30-year level premium term life insurance policy is a good choice for homeowners with young children. As the mortgage balance decreases during the life of the policy, an increasing amount of the proceeds would be available to pay college tuition, maintain your family's lifestyle, or for other needs. It is a cash payout so your loved ones can use the money where it is needed most.

When making your purchase, you should consider the financial strength and stability of an insurance

company, to be confident that they will be there when you need them. Independent rating agencies such as A.M. Best assign ratings to insurance companies based on the strength of their finances and claims-paying ability; SBLI is rated A (Excellent) by A.M. Best.⁴

The pandemic has reminded us how precious our families and our homes are to us. Your home provides your family with happiness, comfort and safety, and the thought of them being forced to leave their home shortly after losing you is unsettling. Dependable term life insurance can provide the peace of mind that comes from knowing you have protected the people and the things that matter most.

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1 Housing Market Update: New Listings Gain Steam, Met by Hearty Demand” – by Tim Ellis, Redfin.com, February 24, 2022.

2“Massachusetts Median Single-Family Home Price Tops \$500,000 in 2021” – by Mike Breed, The Warren Group, February 1, 2022.

3“Robust Mortgage and Auto Loan Originations Help Drive Total Household Debt to \$15.58 Trillion in Q4 2021” – by Mariah Measey, Federal Reserve Bank of New York, www.newyorkfed.org, February 8, 2022.

4 For the latest Best’s Credit Rating, access www.ambest.com.

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