

# Unit Owners: Listing The Mortgage Holder

---

*By Phyllis Van Wyhe, CPCU, CIC, CSP*  
*www.insurancece.com*

A mortgage holder retains an interest in real property until the mortgage has been paid off; listing a mortgage holder on the policy insuring property protects that interest. If a building claim is paid under a policy with a mortgage holder listed, the claim check will be made out jointly to the insured and the mortgage company. In this way, the mortgage company can be certain the insurance proceeds are used to repair the property.

The mortgage holder clause of a property policy also extends some superior rights to the mortgage company. Even if the insurer denies a claim to the insured (due to the insured's actions or lack of compliance with the terms of the coverage), the mortgage holder may still collect. For example, if the insured is guilty of arson, he/she will not collect under the policy; but, the mortgage holder will.

When a mortgage company holds a mortgage on a condominium unit, the mortgage holder should be listed on the master policy carried by the condominium association. This policy covers the structure in which the unit is located and all the common areas. The unit owner holds an interest in all of these items and so does the mortgage holder.

In some cases the mortgage holder should also be listed on the unit owner's policy. This would be true when the condominium association bylaws state that the unit owner is responsible for insuring some of the building items found within the unit and the unit owner's policy provides building coverage to cover the exposure. The coverage found under the association policy would not be sufficient to cover all of the building exposure of the unit owner or the mortgage holder. In this case, the mortgage holder would be listed on both policies. There is no case when the mortgage holder should be listed only on the unit owner's policy.