

March 15, 2010

Subject: Mortgage Insurance Product Changes

In response to the Government of Canada's recent announcement on the Mortgage Insurance Guarantee Parameters, Genworth Financial Canada will implement the following changes effective April 19th, 2010.

High-Ratio Mortgage Loans (Greater than 80% Loan-to-Value)

- 1) For the **Cashout Refinance Program** the maximum loan-to-value (LTV) has been reduced from 95% to 90%
- 2) The **qualifying interest rate** used to calculate the gross debt service ratio (GDSR) and total debt service ratio (TDSR) will be determined as follows:
 - For loans with a fixed rate term of five years or more, the qualifying interest rate will be:
 - the contract rate
 - For loans with a fixed rate term of less than five years and for all variable rate mortgages, the qualifying interest rate is the greater of:
 - the contract rate, or
 - the benchmark rate*
 - For multi-component mortgages, each component must be qualified using the applicable criteria above.

*The benchmark rate (5-yr conventional mortgage rate) is published weekly by the Bank of Canada in series V121764 and can be found via the following link

<http://www.bank-banque-canada.ca/en/rates/interest-look.html>

- 3) The maximum LTV for the purchase of an **owner-occupied secondary residential property** will continue to be 95%. Vacation properties (Type B) will continue to have a maximum LTV of 90%.
 - To be classified as owner-occupied, the property must be occupied at some point in the year by the borrower or a relative of the borrower on a rent free basis.

4) Rental Income Confirmation and the TDSR Formula

- For owner-occupied 1-4 unit properties, 50% of the gross rental income from the subject property may be included in the borrower's gross annual income. (Previously this was calculated as an 80% rental offset)
- For borrowers with other rental properties, the rental income needs to be confirmed with recent T-1 Generals.
 - **If there is a rental surplus** – The surplus amount can be added to the borrower's gross annual income
 - **If there is a shortfall** – The shortfall amount must be added to "Other Monthly Obligations"
 - Where rental income cannot be validated with T-1 Generals, the full Principal, Interest, and Taxes must be included in "Other Monthly Obligations", and 50% of gross rental income may be added to the borrower's gross annual income

Applications submitted prior to April 19, 2010 but decisioned on or after this date will be subject to the old rules. Genworth will also consider exceptions to the requirements in this update where the lender has documentation that the borrower has a legally binding purchase and sale, financing, or refinancing agreement dated before April 19, 2010.

If you have any questions regarding the new guarantee parameters or Genworth products, please contact your Business Development Leader or the undersigned.

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