

Subject: Underwriting Guideline Changes

April 7, 2010

1) Rental Income Confirmation and the TDSR Formula

In response to industry feedback and recognition of unique market characteristics, we have amended our treatment of rental income for both the **Victoria** and **Vancouver** CMA (Census Metropolitan Area) as follows;

For Owner-occupied 2 Unit Properties (Effective April 19, 2010)

- 100% of the gross rental income from the subject property may be included in the borrower's gross annual income.

Please note: for 3-4 Units and other rental properties, the changes to rental income and the TDSR formula announced in our March 15th lender update will still apply.

2) Harmonized Sales Tax (HST) New Housing Rebates

Effective July 1, 2010, the provinces of Ontario and British Columbia will be combining the GST and PST taxes into one Harmonized Sales Tax (HST). The new HST will be applicable on new construction homes and may be eligible for the HST new housing rebate. For qualification and submission purposes, the lender is not required to deduct the rebate from the purchase price. The lender may submit the total purchase price as reflected on the purchase and sale agreement. This policy also applies to all existing GST, HST, TVQ (in Quebec) new housing rebates currently in place.

Sales Tax on Mortgage Insurance Premiums

Currently, Ontario and Quebec are the only provinces that charge sales tax on insurance premiums. Insurance is deemed to be an "exempt financial service" in the Excise Tax Act and therefore GST is not applied to insurance premiums.

Post harmonization, there will be **no change** to the tax charged on the mortgage insurance premium. The 8% provincial sales tax will continue to apply in Ontario and the BC insurance premium will continue to be exempt.

3) **BC Property Tax Deferral Program**

The BC Government has expanded its Property Tax Deferral Program to include homeowners with children under the age of 18. The provisions allow the homeowner to defer property taxes as long as they own their home and continue to meet requirements for the program. The following guidelines will apply:

- Any existing Genworth-insured mortgage may have the property tax deferred under this Government program without Genworth's consent
- Refinance applications will require the deferred property taxes to be repaid (may be included in the equity withdrawal)
- All submissions must have the property tax included in debt servicing (GDS/TDS ratios) for qualification purposes

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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