

January 25, 2017

## Subject: Mortgage Insurance Premium Rate Changes

On January 17, 2017, Genworth Canada announced a price increase to mortgage insurance premiums. As a result of this announcement, Genworth Canada will implement the following premium rates by loan-to-value (LTV) ratio, effective March 17, 2017.

**To be eligible for the current premium rate table pricing, all applications for mortgage insurance must be submitted to Genworth Canada by 11:59 p.m. (Eastern Time) on March 16, 2017. Any applications submitted on or after March 17, 2017 will be subject to the new premium rates outlined in the tables below.**

### Premium Rate Tables

#### Standard Programs Premium Rate Table

Premium changes apply to the following programs: Homebuyer 95, New to Canada, Vacation (A)/Secondary Home, Family Plan, Purchase Plus Improvements, Borrowed Down Payment, Self-Directed RRSP and Progress Advance.

LTV Ratio	Current		New (Effective March 17, 2017)	
	Total Loan Amount	Top –Up Amount	Total Loan Amount	Top-Up Amount
Up to 65%	0.60%	0.60%	0.60%	0.60%
65.01% - 75%	0.75%	2.60%	1.70%	5.90%
75.01% - 80%	1.25%	3.15%	2.40%	6.05%
80.01% - 85%	1.80%	4.00%	2.80%	6.20%
85.01% - 90%	2.40%	4.90%	3.10%	6.25%
90.01% - 95%	3.60%	5.65%	4.00%	6.30%
90.01% - 95% Borrowed Down Payment	3.85%	5.65%	4.50%	6.60%

Note: For Standard Program applications received with LTV's  $\leq$  80%, a minimum credit bureau score of 680 is recommended. For LTV's  $>$  80% at least one borrower must have a minimum credit bureau score of 600. The Borrowed Down Payment Program minimum recommended credit bureau score of 650 and the New to Canada minimum credit requirements remain unchanged.

### Business For Self (ALT.A) Premium Rate Table

LTV Ratio	Current		New (Effective March 17, 2017)	
	Total Loan Amount	Top-Up Amount	Total Loan Amount	Top-Up Amount
Up to 65%	0.90%	1.75%	1.50%	3.00%
65.01% - 75%	1.15%	3.00%	2.60%	6.50%
75.01% - 80%	1.90%	4.45%	3.30%	7.00%
80.01% - 85%	3.35%	6.35%	3.75%	7.50%
85.01% - 90%	5.45%	8.05%	5.85%	9.00%

Note: For Business for Self (ALT.A) applications received with LTV's ≤ 80%, a minimum credit bureau score of 680 is recommended. For LTV's > 80% a minimum recommended credit bureau score of 650 remains unchanged.

### Vacation (B) Premium Rate Table

LTV Ratio	Current		New (Effective, 2017)	
	Total Loan Amount	Top-Up Amount	Total Loan Amount	Top-Up Amount
Up to 65%	1.45%	1.45%	1.45%	2.90%
65.01% - 75%	1.60%	3.45%	2.55%	6.10%
75.01% - 80%	2.00%	4.00%	3.15%	6.40%
80.01% - 85%	2.90%	4.90%	3.50%	7.00%
85.01%-90%	3.15%	5.75%	4.35%	7.60%

Note: For the Vacation B Program, a minimum credit bureau score of 680 is required for all borrowers, regardless of LTV.

The premium rates payable will be the lesser of the premium of the Total New Loan Amount or the premium of the Top-Up Amount (if existing insured) based on the rate tables above.

### Second Mortgage Program Premium Rate Table

LTV Ratio	Current		New (Effective March 17, 2017)	
	Combined 1 <sup>st</sup> & 2 <sup>nd</sup> Loan Amounts	2 <sup>nd</sup> Mortgage Amount	Combined 1 <sup>st</sup> & 2 <sup>nd</sup> Loan Amounts	2 <sup>nd</sup> Mortgage Amount
Up to 65%	0.60%	0.60%	0.60%	0.60%
65.01% - 75%	0.75%	2.60%	1.70%	5.90%
75.01% - 80%	1.25%	3.15%	2.40%	6.05%
80.01% - 85%	1.80%	4.00%	2.80%	6.20%
85.01% - 90%	2.40%	4.90%	3.10%	6.25%
90.01% - 95%	3.60%	5.65%	4.00%	6.30%

Note: For the Second Mortgage Program, a minimum credit bureau score of 680 is recommended, regardless of LTV.

For Second Mortgages, the premium payable will be the lesser of the premium of the Combined 1st and 2nd Loan Amounts, or the premium of the 2nd Mortgage Amount only based on the rates above.

For submissions of new insured concurrent first and second mortgages the premium payable on each mortgage will be based on the cumulative LTV of the combined first and second loan amounts.

Note: There have been no changes to the provincial tax rates charged on mortgage insurance premiums (if applicable).

## Surcharges

Conversion surcharge from a Standard Program to Borrowed Down Payment Program

- The premium will be the lesser of **A)** Premium charged on the Total Loan Amount or **B)** the outstanding balance multiplied by a **0.50%** surcharge, in addition to the Top-Up premium on the additional loan amount.

Conversion surcharge from a Standard Program to an Investment Property Program

- The premium will be the lesser of **A)** Premium charged on the Total Loan Amount or **B)** the outstanding balance multiplied by a **0.50%** surcharge, in addition to the Top-Up premium on the additional loan amount.

Conversion surcharge from a Standard Program to a Business For Self (ALTA) Program

- The premium will be the lesser of **A)** Premium charged on the Total Loan Amount or **B)** the outstanding balance multiplied by a **2.30%** surcharge, in addition to the Top-Up premium on the additional loan amount.

Conversion surcharge from a Standard Program to a Vacation B Program

- The premium will be the lesser of **A)** Premium charged on the Total Loan Amount or **B)** the outstanding balance multiplied by a **1.10%** surcharge, in addition to the Top-Up premium on the additional loan amount.

## Questions and Answers

### 1. Why is Genworth raising mortgage loan insurance premiums?

*Under the new framework, required capital has increased substantially for the 65.01 to 95% LTV bands and this is driving the announced increases in premium rates. The costs associated with regulatory capital requirement are a key component of the premium rate in addition to expected losses on claims and operating expense. Furthermore, the new capital framework is more risk sensitive and incorporates credit score as a determinant of capital requirements. For example, the requirement for a 680 credit score is 170% higher than that for a 720 credit score. Over time, this may lead to the evolution of premium rates for credit score cohorts within LTV bands.*

## Purchase

### 2. What if a purchase and sale agreement is signed prior to March 17, 2017 and the mortgage insurance application is submitted on or after March 17, 2017?

*In this scenario, the new premium rates would apply. Even though the purchase and sale agreement was signed before March 17, 2017, the mortgage insurance application was received by Genworth Canada after the effective date of the new premium rate price change, and therefore the new rates apply.*

### 3. What if I have signed a purchase and sale agreement and I require mortgage insurance; however, the closing date is after March 17, 2017, will the current premiums still apply?

*As long as the application was submitted to Genworth Canada prior to March 17, 2017, the current premiums will still apply.*

4. **If I have a mortgage pre-approval from a lender from before March 17, 2017, will I still be eligible for the current premium rates if I don't have a signed agreement of purchase until on or after March 17, 2017?**

*All applications for mortgage insurance must be submitted prior to March 17, 2017 with a binding purchase and sale agreement in place to be eligible for current premium rates.*

5. **If I bought a new construction property (i.e. condo) that is not expected to be built for another two years, will the new premium rates apply?**

*As long as the application for mortgage insurance was submitted to Genworth Canada prior to March 17, 2017, then current premiums will apply regardless of the closing date.*

6. **If I have a Progress Draw mortgage that has been submitted to Genworth Canada prior to March 17, 2017 and the draws are occurring on or after the March 17, 2017, will the new premium rates be charged?**

*As long as the application for mortgage insurance was submitted to Genworth Canada prior to March 17, 2017, the current premium rates will be charged.*

7. **As per Genworth's recent Lender Update on the "BC Home Partnership Program", have the premium rates changed?**

*Yes, the premium rates have been amended as noted below:*

LTV Ratio	Current	New (Effective March 17, 2017)
	Total Loan Amount	Total Loan Amount
80.01% - 85%	1.80%	2.80%
85.01% - 90%	3.60%	4.00%
90.01%-95%	3.85%	4.50%

### Portability

8. **How will the new premiums apply to an existing Genworth-insured loan if the mortgage is ported to a new property?**

*For port applications where premiums are payable and the application is submitted on or after March 17, 2017, the new premium rates plus any applicable surcharges will apply.*

### Changes on or after March 17, 2017

9. **If I submit an application for mortgage insurance to Genworth Canada prior to March 17, 2017, and the application then gets resubmitted with any changes or updates on or after March 17, 2017, will the application continue to be eligible for the current premiums?**

*As long as the original application was submitted to Genworth Canada prior to March 17, 2017, then the current premiums will still apply.*

**10. If a lender has cancelled (e.g., in error / technology issues/ making changes) a file that Genworth Canada received prior to March 17, 2017 and then needs to re-open or resubmit the application on or after March 17, 2017, will the application continue to be eligible for the current premiums?**

*Yes, provided the original mortgage insurance application was received prior to March 17, 2017, current premium rates will be applied.*

**11. If an application for mortgage insurance was declined that Genworth Canada received prior to March 17, 2017 and then gets resubmitted on or after March 17, 2017, will the application continue to be eligible for the current premiums?**

*As long as the original application was submitted to Genworth Canada prior to March 17, 2017, then the current premiums will still apply.*

**12. What would happen if there was a previous approval with Lender “A” under the current premium rates and the same application is then submitted by Lender “B” on or after March 17, 2017?**

*New premium rates would apply to Lender “B”'s application as it was submitted to Genworth Canada after the March 17, 2017 deadline.*

### **Investment Property Program**

**13. Are the premiums changing for the Investment Property Program?**

*No, the premiums for the Investment Property Program will remain unchanged.*

**14. Are the minimum credit requirements changing for the Investment Property Program?**

*Yes, the minimum recommended credit score for the Investment Property Program is 680.*

If you have any questions, please contact your Business Development Leader.

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