

December 1, 2017

Subject: Treatment of Rental Income for Qualification Purposes

Effective January 1, 2018, Genworth Canada will amend the underwriting policy related to the treatment of rental income for low-ratio ($\leq 80\%$ LTV) applications. Genworth's existing high-ratio ($> 80\%$ LTV) rental income policy will now apply to all loan-to-values as outlined below.

1. Owner-occupied properties (2 units) and properties submitted under the Investment property program:

All LTV's

- Genworth will accept 100% of the rental income across Canada subject to:
 - Each applicant having minimum credit score of 680
 - Income can be validated using a two year average based on lease agreements or
 - Where rental income cannot be validated with lease agreements for a two year period, income for new or existing units is to be confirmed via fair market rent from an appraisal. Lenders should apply a market vacancy rate in accordance with their internal policy.
- If the above credit and income requirements cannot be met, 50% of rental income is to be used for qualification.
- Taxes and heat are to remain excluded from the debt service ratio calculation
- Total Debt Service Ratio (TDSR) Calculation:

$$\text{TDSR} = \frac{\text{Principal} + \text{Interest} + 50\% \text{ Condo Fees (if applicable)} + \text{Other Debts}}{\text{Gross Annual Income} + \% \text{ of Gross Rents}}$$

2. Owner-Occupied 3-4 Unit Properties & Non-Owner Occupied Rental Properties:

- Lenders may use their existing policy to calculate net rental income. At a minimum, operating expenses must include mortgage interest, maintenance and vacancy
- Net rental income surplus may be added to the gross annual income
- Net rental income shortfall should be deducted from the applicant's gross annual income.

To be eligible for the current low-ratio policy regarding rental income, applications must be submitted to Genworth prior to January 1, 2018. Any applications submitted on or after January 1, 2018 will be subject to the new underwriting guidelines as noted above.

For all other underwriting guidelines and product information please refer to our website at www.genworth.ca

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

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Regards,



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