



Genworth®
Financial



LENDERS MORTGAGE INSURANCE (LMI)
UNDERWRITING POLICY AND PRODUCT
PARAMETERS

NEW ZEALAND
DECEMBER 2008

DISCLAIMER

This is the LMI Underwriting Policy by which Genworth Financial considers and assesses proposals for LMI.

The LMI Underwriting Policy has been made publicly available by Genworth Financial to assist those involved in the mortgage lending industry to gain a better understanding of the basis on which Genworth Financial considers proposals for LMI.

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Genworth Financial reserves the right to accept and approve LMI proposals in its absolute and sole discretion and decline any LMI proposal notwithstanding the fact that the LMI proposal may appear to comply with the LMI Underwriting Policy.

The LMI Underwriting Policy should not replace a credit provider's own lending guidelines and prudent lending practices.

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Originators and Mortgage Managers access to LMI products is subject to the acceptance of these products by the funding program.

THIS UNDERWRITING POLICY IS ALSO AVAILABLE ON OUR WEBSITE
www.genworth.co.nz

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1. GLOSSARY

| TERM | DEFINITION |
|-----------------------------|---|
| Additional Loan | An Additional Loan is deemed to be an additional advance against existing security that is maintained in a separate loan account (see also Top Up). |
| Base Loan Amount | The Base Loan Amount is the loan amount approved before adding the LMI premium charge. |
| Capitalisation | Capitalisation refers to the ability to add the borrower's cost of the LMI premium to the Base Loan Amount and this total is then drawn out of their loan account. Borrowers avoid paying this fee up front and can amortise this payment over the term of their loan. |
| First Home Buyer/s | Borrowers purchasing an owner occupied property for the first time. |
| Funding Program | A Funding Program is an organisation that provides funding and credit criteria for the origination of mortgages by a 3rd party. |
| High Net Worth Customer | Customers with net surplus assets of greater than \$500K. |
| Lender | Those with a direct relationship with Genworth Financial such as traditional lenders and Funding programs. Excludes mortgage managers and originators who generate loans through a Funding program. |
| Loan to Value Ratio (LVR) | For a purchase or construction, the Loan to Value Ratio is calculated by dividing the Base Loan Amount by the lesser of the purchase price or the security valuation amount. For refinances, the LVR is usually based on the valuation amount only. |
| Net Disposable Income (NDI) | The net amount of income a borrower has available after payment of tax, existing commitments and family living expenses. |
| Scheduled Amortised Balance | The Scheduled Amortised Balance is the loan amount that would have been outstanding if the minimum repayment under the Loan Contract had been made on the due dates. |
| Self-Employed Borrowers | <p>For LMI purposes, an individual is considered Self-Employed when they receive the majority (i.e. more than 50%) of their total income, including wages, from a business:</p> <ul style="list-style-type: none">• in which they are the sole trader, a partner, director or shareholder, and• where they have management control of the company/business. <p>In addition, applicants may be considered Self-Employed in New Zealand where they are subject to payment of provisional tax by those contracting them with no sick pay, holiday pay, overtime or penalty rates.</p> |
| Top Up | A Top Up is a further advance added to an existing loan account and maintained as one total loan (see also Additional Loan). |

2. GENWORTH FINANCIAL

Genworth Financial (Genworth) is New Zealand's leading provider of Lenders Mortgage Insurance (LMI). Working closely with our partners, our aim is to make homeownership more accessible to borrowers through the provision of LMI solutions.

Collaborating with over 200 lenders, Genworth has built a reputation for being experts in understanding the evolving mortgage market, and our financial strength is underpinned by the NZD\$350 billion of residential mortgages we have insured since 1965. This expertise is built on over 40 years of data and trends concerning the residential property market in New Zealand, and our experience insuring over 5,000 residential mortgages every week.

3. WHAT IS LENDERS MORTGAGE INSURANCE (LMI)?

LMI was first introduced into the Australian marketplace by the Australian Government in 1965 as a way for First Home Buyers to obtain a home loan with less than the traditional 20% deposit. Today, LMI is one of the most popular ways to purchase a home without a large deposit. Many banks and lending institutions require borrowers to contribute a 20% deposit before they will agree to provide a loan. This is largely to protect against the risk associated with providing the borrower with the loan in the event that they default. By using LMI, lenders are able to pass on this risk to a mortgage insurer such as Genworth Financial, which in-turn, enables them to offer the same loan with less of a deposit.

BENEFITS FOR BORROWERS

For borrowers, whether purchasing their own home or an investment property, using LMI can help them achieve these goals much earlier and in turn, help them start to build personal equity sooner.

BENEFITS FOR LENDERS

For lenders, LMI minimises the risk of loss on low deposit housing loans, enhancing their ability to lend to a broader range of customers.

LMI should not be confused with Mortgage Protection Insurance, which covers the borrower in the event of sickness, unemployment, disability, or death.

WHAT IS COVERED BY LMI?¹

- Loss of principal
- Unpaid interest
- All reasonable recovery costs such as legal fees, marketing costs, repairs, maintenance, and outstanding rates.

WHAT IS NOT COVERED BY LMI?

Examples of exclusions would include, but are not limited to:

- The borrower (or guarantor where applicable)
- Break costs on fixed rate loans
- Penalty Interest
- Unreasonable and/or excessive recovery costs
- Physical damage to or contamination of the security
- Fees and charges not directly related to costs incurred by the Lender in recovery of the debt.

¹ May vary depending on type of LMI cover provided

4. PRODUCT PARAMETERS

Genworth Financial endeavours to be flexible and commercial in its approach to underwriting risk, insuring loans for a range of purposes, including home ownership, investment and vacant land.

We are committed to discovering innovative ways to assist our customers and are therefore continuously assessing changes within the mortgage industry and developing products and policies that reflect current and emerging market conditions.

With this in mind, we have developed a number of products to allow more people to enter the housing market and accumulate wealth through property, whilst at the same time providing our customers with the benefits of 100% mortgage insurance cover.

Genworth Financials current product range is as follows:

| PRODUCT NAME | TARGET MARKET | MAX LOAN AMOUNT | MAX LVR |
|-----------------------------------|--|-----------------|---------|
| Standard LMI | Suitable for a wide range of borrowers for multiple loan purposes. | \$1,000,000 | 80% |
| | | \$850,000 | 85% |
| | | \$700,000 | 90% |
| | | \$600,000 | 95% |
| HomeBuyer Plus | Any borrower including First Home Buyers and Investors with a limited or no deposit. | \$700,000 | 90% |
| | | \$600,000 | 95% |
| Limited Income Evidence (Low Doc) | Self-Employed Borrowers with limited income evidence. | \$750,000 | 75% |

Product Parameters are covered in section 4 and are to be read in conjunction with the Underwriting Policy that follows.

4.1 STANDARD LMI

Target Market: Suited to First Home Buyers, investors and any borrower wishing to access residential mortgage finance.

Benefits: Allows borrowers to achieve their dream of home ownership sooner, and enables borrowers to purchase a property with only a small deposit.

| MAXIMUM LVR & LOAN AMOUNTS | | | | | |
|----------------------------|-------------|-------------|------------|------------|-----------|
| Property Type | LVR | Category 1 | Category 2 | Category 3 | All Other |
| House/Unit | 0 - 80% | \$1,000,000 | \$800,000 | \$600,000 | \$500,000 |
| | 80.01 – 85% | \$850,000 | \$600,000 | \$450,000 | \$400,000 |
| | 85.01 – 90% | \$700,000 | \$500,000 | \$400,000 | \$400,000 |
| | 90.01 – 95% | \$600,000 | \$450,000 | \$350,000 | \$300,000 |
| Vacant Land | 0 - 90% | \$550,000 | \$350,000 | \$250,000 | \$200,000 |
| | 90.01 - 95% | \$450,000 | N/A | N/A | N/A |

Maximum Loan Amounts apply on a 'per security' basis.

Categories referred to above and in other Product Parameters, relate to the Genworth Financial Security Location Guide - See section 5.8.1

| FEATURE | PRODUCT PARAMETERS (SUMMARY) |
|----------------|--|
| Loan Purpose | <ul style="list-style-type: none"> • For owner occupied and investment properties: <ul style="list-style-type: none"> » Purchase of an existing residential dwelling » Construction of a single or duplex residential dwelling » Purchase vacant residential land » Home Improvement » Refinance existing mortgage » Off the plan purchase » Bridging Finance » Debt Consolidation » Equity Release/Cash Out |
| Security | <ul style="list-style-type: none"> • Acceptable securities: <ul style="list-style-type: none"> » Zoned for residential use » A house, villa, home unit, duplex, or vacant land » Free from adverse features » Well presented » Readily saleable • Restrictions apply to: <ul style="list-style-type: none"> » Rural residential/lifestyle properties » High Density Apartments » New House & Land package » Off the plan strata purchases » Company title home units » 2nd mortgages » 3rd party mortgages/guarantees » Display homes » Transportable Homes » Relocated Homes |
| Deposit/Equity | <ul style="list-style-type: none"> • 5% genuine savings required as a minimum deposit for loans with LVR in excess of 85% |

| | |
|----------------------------|--|
| Borrowers | <ul style="list-style-type: none"> • Acceptable borrowers: <ul style="list-style-type: none"> » Natural person (over the age of 20) » Company » Trust or » Any multiple or combination of the above • Restrictions apply to: <ul style="list-style-type: none"> » Borrowers of convenience » Non-residents • First Home Buyers – a discount in premium may apply. |
| Employment / Income | <ul style="list-style-type: none"> • The following employment types are acceptable: <ul style="list-style-type: none"> » Permanent salary/wage employment (full-time or part-time) » Contract employment » Casual » Self-Employed • Standard loan application to be completed and signed • Must include current income and financial position • Employment, income and financial verification required • Must have an NDI of at least 1.00:1 times total commitments |
| Credit History | <ul style="list-style-type: none"> • Genworth Financial may consider minor defaults where: <ul style="list-style-type: none"> » The defaults is paid at least 6 months prior to the loan application and » The LMI proposal is accompanied by a satisfactory written explanation |
| Loan Term | <ul style="list-style-type: none"> • Terms of up to 40 years available |
| Repayment Type | <ul style="list-style-type: none"> • Principal & Interest (P&I) • Interest Only (IO) – (Maximum 90% LVR) • IO Converting to P&I within 10 years – (Maximum LVR 95%) |
| Maximum Borrowers Exposure | <ul style="list-style-type: none"> • \$2,500,000 (total aggregate exposure) |
| Premium Capitalisation | <ul style="list-style-type: none"> • LMI Premium may be capitalised • When calculating premium payable, the Base Loan Amount (before adding the LMI premium) is used |
| Loan Features | <ul style="list-style-type: none"> • Split Loans • Redraw Facility • Line of Credit • Parenting Repayment Break |

4.2 HOMEBUYER PLUS

Target Market: Suited to borrowers, including First Home Buyers, with limited or no savings, or those wishing to use money not sourced from their own savings as a deposit.

Benefits: Borrowers do not have to contribute any of their own savings, allowing these funds to be used for renovations or setting up their own home. This also means a borrower does not need to wait to save up their own deposit before entering the property market.

| MAXIMUM LVR & LOAN AMOUNTS | | | | | |
|----------------------------|-------------|------------|------------|------------|-----------|
| Property Type | LVR | Category 1 | Category 2 | Category 3 | All Other |
| House/Unit | 85.01 – 90% | \$700,000 | \$500,000 | \$400,000 | N/A |
| | 90.01 – 95% | \$600,000 | \$450,000 | \$350,000 | N/A |

Maximum Loan Amounts apply on a 'per security' basis.

Note: The maximum LVR for Investment Loans is 95%.

*Product Parameters as per Standard LMI section 4.1 to apply, in addition to product specific parameters listed below:

| FEATURE | PRODUCT PARAMETERS (SUMMARY) |
|---------------------------|---|
| *Loan Purpose | <ul style="list-style-type: none"> • Excludes: <ul style="list-style-type: none"> » Purchase vacant residential land » Home Improvement » Refinance existing mortgage » Debt Consolidation » Equity Release/Cash Out |
| *Security | <ul style="list-style-type: none"> • Vacant land is unacceptable • Size of property not to exceed 2.2ha (5 acres) |
| *Deposit/Equity | <ul style="list-style-type: none"> • Source of deposit must be disclosed • May include family gift or loan • If borrowed, repayment must be included in servicing calculations |
| *Borrowers | <ul style="list-style-type: none"> • New Zealand Residents only |
| Employment / Income | <ul style="list-style-type: none"> • As per Standard LMI Product Parameters Section 4.1 |
| *Credit History | <ul style="list-style-type: none"> • Clear credit history for borrower/s and guarantor/s |
| Loan Term | <ul style="list-style-type: none"> • As per Standard LMI Product Parameters Section 4.1 |
| *Repayment Type | <ul style="list-style-type: none"> • IO not permitted • IO converting to P&I within 10 years |
| Maximum Borrower Exposure | <ul style="list-style-type: none"> • As per Standard LMI Product Parameters Section 4.1 |
| *Premium Capitalisation | <ul style="list-style-type: none"> • As per Standard LMI Product Parameters Section 4.1 |
| *Loan Features | <ul style="list-style-type: none"> • Excludes: <ul style="list-style-type: none"> » Line of Credit |

4.3 LIMITED INCOME EVIDENCE (LOW DOC)

Target Market: Suited to Self-Employed Borrowers who are unable to produce current financial information or documentation.

Benefits: Provides Self-Employed Borrowers access to residential mortgage finance without providing evidence of income. The borrower self certifies an income amount that is used to establish serviceability.

| MAXIMUM LVR & LOAN AMOUNTS | | | | | |
|----------------------------|---------|------------|------------|------------|-----------|
| Property Type | LVR | Category 1 | Category 2 | Category 3 | All Other |
| House/Unit | 0 - 75% | \$750,000 | | | |
| Vacant Land | 0 - 65% | \$750,000 | \$750,000 | | |

Maximum Loan Amounts apply on a 'per security' basis.

*Product Parameters as per Standard LMI section 4.1 to apply, in addition to product specific parameters listed below:

| FEATURE | PRODUCT PARAMETERS (SUMMARY) |
|----------------------|---|
| Loan Purpose | <ul style="list-style-type: none"> • Excludes: <ul style="list-style-type: none"> » Refinance of investment loans » Debt Consolidation » Equity Release/Cash Out |
| *Security | <ul style="list-style-type: none"> • Improved Residential Property – size not to exceed 5 ha (12 acres) • Vacant land security excluded • Lifestyle property security (improved or vacant) excluded • Apartment/unit security excluded |
| *Deposit/Equity | <ul style="list-style-type: none"> • Must have existing equity in real estate OR • Genuine personal savings of at least 20% equity of the property purchase OR • If borrowers have recently sold property and are in the process of purchasing another, this requirement may be waived |
| *Borrowers | <ul style="list-style-type: none"> • New Zealand Residents only • 'First Home' discount not applicable • Property developers excluded (primary income source from property development activities) • Property investors excluded (primary income source from property investment activities) |
| *Employment / Income | <ul style="list-style-type: none"> • At least one borrower must be Self-Employed • Income evidence is not required for any borrowers • Must have an NDI of at least 1.00:1 times total commitments based on declared income • All Self-Employed borrowers must hold GST registration for at least 12 months • Declared income and Assets and Liabilities position must be verified through: <ul style="list-style-type: none"> » Past 12 months GST returns and Inland Revenue Department receipts (for each trading entity) » Past 6 months company transaction account statements » Past 6 months personal account statements (primary account only) » Companies office search to confirm the company is currently registered and returns are being filed (if applicable) |
| *Credit History | <ul style="list-style-type: none"> • Prior credit bureau default of up to \$500 will be considered if paid at least 6 months prior to loan application – Refer to section 5.12.1 Credit Defaults for further details |

| | |
|---------------------------|--|
| *Loan Term | <ul style="list-style-type: none">• Maximum 30 years |
| Repayment Type | <ul style="list-style-type: none">• As per Standard LMI Product Parameters Section 4.1 |
| Maximum Borrower Exposure | <ul style="list-style-type: none">• As per Standard LMI Product Parameters Section 4.1 |
| Premium Capitalisation | <ul style="list-style-type: none">• As per Standard LMI Product Parameters Section 4.1 |
| *Loan Features | <ul style="list-style-type: none">• Excludes;<ul style="list-style-type: none">» Parenting Repayment Break |

5. UNDERWRITING POLICY

5.1 MAXIMUM LOAN AMOUNTS

- As a means of regulating the level of acceptable LMI risk, Genworth Financial has *preferred* maximum loan amounts.
- Loan amount limits apply on a “per security” basis.
- Loan amount limits may vary by product, loan purpose or security location. *Refer to Product Parameters Section 4 and Loan Purpose Section 5.10 for further details.*
- It should be noted that Genworth Financial may choose to limit the loan amount to be insured based on the individual merit of the proposal or the specific loan product.

5.1.1 MULTIPLE SECURITIES

- For proposals with multiple securities, the following approach is used to calculate the Maximum Loan Amounts available: Example as per below.
 - » Locate security category using ‘Security Location Guide’ - (Column 1)
 - » Total the Security Value – (Column 2)
 - » Using the appropriate ‘Maximum LVR and Loan Amounts’ table for the product, locate the maximum LVR (column 3) – example below is based on Standard LMI.
 - » Calculate and total the Maximum Loan Amount available (Column 4) based on Security Value (Column 2)
 - » Verify that the Maximum Loan Amount (Column 4) does not exceed the amount shown in the Maximum LVR and Loan Amounts table (see shaded section below)
 - » **Maximum Loan Amount available for this example is \$855,000**

| (1) SECURITY | (2) SECURITY VALUE | (3) MAXIMUM LVR | (4) MAXIMUM LOAN AMOUNT |
|-------------------------|-----------------------|--------------------|----------------------------|
| Security A - Category 1 | \$500,000 | 95% | \$475,000 |
| Security B – Category 2 | \$400,000 | 95% | \$380,000 |
| Total | \$900,000 | 95% | \$855,000 |

| MAXIMUM LVR & LOAN AMOUNTS | | | | | |
|----------------------------|--------------------|------------------|------------------|------------|-----------|
| Property Type | LVR | Category 1 | Category 2 | Category 3 | All Other |
| House/Unit | 0 - 80% | \$1,000,000 | \$800,000 | \$600,000 | \$500,000 |
| | 80.01 – 85% | \$850,000 | \$600,000 | \$450,000 | \$400,000 |
| | 85.01 – 90% | \$700,000 | \$500,000 | \$400,000 | \$400,000 |
| | 90.01 – 95% | \$600,000 | \$450,000 | \$350,000 | \$300,000 |
| Vacant Land | 0 - 90% | \$550,000 | \$350,000 | \$250,000 | \$200,000 |
| | 90.01 – 95% | \$450,000 | N/A | N/A | N/A |

5.2 MAXIMUM LVRS

- The “Loan to Value Ratio” (LVR) is one of the major elements of risk and is one of the vital considerations of any LMI proposal.
- The LVR is the loan amount as a percentage of the purchase price or the security valuation amount, whichever is the lesser.
- The maximum LVRS referred to in this Policy reflect the maximum ratios preferred by Genworth Financial.
- LVRS may vary by product, loan purpose and security location. Refer to Product Parameters Section 4 and Loan Purpose Section 5.10 for further details.
- In the case of construction loans, the LVR is determined on the lesser of the cost (land value plus tender) or the on-completion valuation.
- In the case of a refinance or an equity release, the LVR is the loan amount as a percentage of the valuation only.
- It should be noted that Genworth Financial may choose to limit the LVR to be insured based on the individual merit of the proposal or the specific loan product.

5.3 MAXIMUM TOTAL EXPOSURE

- The maximum exposure preferred by Genworth Financial to any one borrower is \$2.5 million.
- Exposures above this amount may be considered on a case-by-case basis.

5.4 BORROWERS

| | |
|--------------------------------|---|
| Permitted borrowers | <ul style="list-style-type: none"> • Natural person (over the age of 20) • Company • Trust or • Any multiple or combination thereof |
| Excluded borrowers | <ul style="list-style-type: none"> • Associations • Churches • Clubs • Minors (under the age of 18) |
| Restrictions apply (see below) | <ul style="list-style-type: none"> • Borrowers of convenience • Non-residents |

5.4.1 COMPANIES AND TRUSTS

- For company loans, all directors and shareholders (excluding ‘Notional Directors’) must provide unconditional joint and several personal guarantees.
- In the case of a trust, where the trustee is a company, directors are required to provide unconditional joint and several guarantees as mentioned above. All trusts require guarantees to be given by all adult beneficiaries.

5.4.2 BORROWERS OF CONVENIENCE

- A borrower of convenience is defined as a borrower that is added to the loan application to provide serviceability and/or security but does not receive a tangible benefit from the loan transaction.
- Borrowers must have a beneficial interest in the loan transaction either by way of joint ownership of the security and/or dependence on the mortgagor in a marital or defacto relationship.
- It is not acceptable for a person to be joined in a loan simply to provide income support for servicing, or simply to provide added security for another party to purchase a property.

5.4.3 FIRST HOME BUYERS

- ‘Genworth FirstHome’ is a Genworth Financial initiative aimed at helping First Home Buyers afford their first home sooner.
- This scheme provides for a special premium rate and the option to capitalise the premium payable into the loan amount.
Note: For premium rates, please ask your local Genworth Financial Sales Manager for full details.

| FEATURE | ADDITIONAL UNDERWRITING POLICIES |
|-----------------------|--|
| Product Availability | <ul style="list-style-type: none"> • Standard LMI • HomeBuyer Plus |
| Borrowers | <ul style="list-style-type: none"> • Eligibility for this initiative should be indicated in the LMI Proposal form submitted with the proposal |
| Lender Responsibility | <ul style="list-style-type: none"> • Lender to confirm eligibility |

5.4.4 NON-RESIDENTS

- For the purposes of this Underwriting Policy, a non-resident is deemed to be any person without permanent residency status, and/or any person who resides and is employed in another country.
- Australian citizens living and working in Australia or permanent residents of Australia are considered residents of New Zealand and are not treated as non-residents.

| FEATURE | ADDITIONAL UNDERWRITING POLICIES |
|---------------------------|---|
| Maximum LVR & Loan Amount | Loan Amount (Total Exposure) |
| | Up to \$500,000 |
| | \$500,001 - \$750,000 |
| Product Availability | <ul style="list-style-type: none"> • Standard LMI |
| Borrowers | <ul style="list-style-type: none"> • Must be "High Net Worth"; Refer to definition in Glossary • When calculating the net asset position, the inclusion of international assets such as stated real estate and /or investments is permitted • Where one borrower is a citizen or permanent resident of New Zealand or Australia and the other borrower is a non-resident as per above definition, any proposal will be assessed under Standard LMI Underwriting Policy and not under the Non-Resident policy above |
| Employment / Income | <ul style="list-style-type: none"> • In situations where non-rental income cannot be adequately verified, 100% of the gross market rental income for the security property must be sufficient to cover the proposed mortgage loan instalments calculated at the default interest rate, as used by the Genworth Financial Servicing Calculator |
| Lender Responsibility | <ul style="list-style-type: none"> • Must ensure that an 'Agent for Service' in favour of a New Zealand resident is current in respect of each non resident borrower |

5.5 GUARANTORS

- Guarantors are required to complete a full application form including personal details, financial position, employment details and sign the Lenders Privacy Act declaration, which includes provision for LMI.
- Where guarantor income is required to service the proposed debt, standard employment and income policies must apply including verification of employment and income.

5.6 SAVINGS

- Borrowers who have saved a deposit are generally more likely to be prepared for difficult circumstances.
- For a property purchase or construction where the LVR will exceed 85%, 5% of the purchase price is to be verified as genuine savings. (Applies to Standard LMI product only).

5.6.1 GENUINE SAVINGS

- | | |
|-----------------|---|
| Genuine savings | <ul style="list-style-type: none"> • Must be held in the borrowers name and include: <ul style="list-style-type: none"> » Funds held or accumulated in savings accounts for 3 months or more » Equity in residential property » Term deposits held for 3 months or more » Shares held for no less than the last 3 months » Genworth Financial may allow a gift / inheritance to be used where savings have been sacrificed by making accelerated loan repayments over the last 3 months. In these circumstances, the existing savings plus the value of excess repayments must be equal to or greater than the minimum savings required » Accessible funds held in KiwiSaver Account for 3 months or more |
|-----------------|---|

Refer to Section 6 Documentation for verification details.

5.6.2 NON GENUINE SAVINGS

- | | |
|---------------------|---|
| Non Genuine savings | <ul style="list-style-type: none"> • The following do not contribute towards the 5% genuine savings requirement. <ul style="list-style-type: none"> » Gifts or inheritance (see Genuine Savings above) » Proposed savings plans or Rental Purchase Plans of any kind » Sale of assets (other than real estate) for example, motor vehicles » Funds held in company/business accounts » The proceeds of a personal loan » Builder's or vendor's rebate/incentive |
|---------------------|---|

Refer to Section 6 Documentation for verification details.

- ATM receipts, internet printouts, or any forms that do not show individual transactions are not acceptable as evidence of savings.
- Internet statements are only acceptable if all of the following are present:
 - » The borrower(s) name
 - » Account number
 - » Individual transactions are itemised and there is a running account balance
 - » The logo of the bank or financial institution is displayed
 - » If the borrower's name or the logo is not displayed on the Internet statements, a separate bank-issued statement must be provided to verify these details

5.6.3 SAVINGS PLANS / RENTAL PURCHASE PLANS

- Savings plans provide for the borrower to save for the deposit on a home after approval of a mortgage loan. Similarly, rental purchase type arrangements enable the borrower to save the deposit whilst occupying the security.
- Neither of these types of plans are acceptable for mortgage insurance. Borrowers must have the required minimum genuine savings (as applicable) prior to mortgage insurance cover being approved.

5.7 EMPLOYMENT & INCOME

5.7.1 ACCEPTABLE EMPLOYMENT STATUS

The following employment criteria is to be observed when assessing applications:

| | |
|---|--|
| Permanent salary/wage employment (full-time or part-time) and Contract employment | <ul style="list-style-type: none"> • Minimum 2 years continuous employment in the same industry, or • Minimum 12 months with current employer • Where the borrower is within a probation period, application may be considered based on the merits and strength of the borrower's overall position |
| Casual | <ul style="list-style-type: none"> • Minimum 12 months in current employment • Where the borrower's only source of income is from casual employment, application may be considered based on the merits and strength of the borrower's overall position |
| Self-Employed | <ul style="list-style-type: none"> • At least 2 financial years trading in the current business <p><i>Note: Where a borrower only has 12 months trading in the current business and 2 years in previous employment within similar occupation/field, the application may be considered by Genworth Financial as an exception, based on the borrower's self employment circumstances and the overall strength of the proposal</i></p> |
| Second Job | <ul style="list-style-type: none"> • Minimum 12 months in current employment |

5.7.2 FORMS OF ACCEPTABLE INCOME

| | |
|--|--|
| Salary and wages | <ul style="list-style-type: none"> • 100% accepted if length of employment criteria is met <p><i>Note: Gross Income before Kiwisaver contributions is acceptable</i></p> |
| Overtime | <ul style="list-style-type: none"> • 100% may be used to assist in serviceability if payment is regular and is a condition of employment |
| Shift allowance | <ul style="list-style-type: none"> • 100% may be used only if it is a condition of employment and is an industry standard |
| Rental income | <ul style="list-style-type: none"> • 80% of gross rental income may be added to net salary/wage income (50% of gross rental income accepted for high density and/or inner city apartments. Refer to High Density Apartments section 5.8.8 for further details). • Where a significant portion of a borrower's income is derived from rental income, and the proposal is heavily reliant on that amount to meet servicing requirements, the application may be considered too rent reliant • Level of gross rental accepted for servicing should not exceed: <ul style="list-style-type: none"> » 40% of gross salary or wage income for incomes less than \$60,000 » 65% for incomes greater than \$60,000 and less than \$100,000 and » 70% for incomes greater than \$100,000 |
| Investment income (interest, dividends) | <ul style="list-style-type: none"> • 100% of income as demonstrated in tax returns – income level must be evidenced over the past 2 years |
| Social Security benefits/ Government Pension | <ul style="list-style-type: none"> • 100% accepted where it is considered permanent for the next five years (unemployment benefit/sickness benefits are not acceptable) |
| Car allowance | <ul style="list-style-type: none"> • 100% may be added to gross taxable income |
| Fully maintained company car | <ul style="list-style-type: none"> • \$5,000 p.a. may be added to gross taxable income |
| Child Support/child maintenance | <ul style="list-style-type: none"> • 100% accepted if the maintenance agreement is registered with the Child Support Agency • Six months consistent payments can be evidenced via the borrower's bank account statements and • It is considered permanent for the next five years |

| | |
|--|---|
| Self-Employed | <ul style="list-style-type: none"> Borrowers must produce the last 2 years business and personal tax returns. Income evidence must demonstrate consistent income levels for the years under review, however, it would not be unrealistic for each year to reflect an increase up to 20% in the net profit. Where taxable income has increased over the last two years by less than or equal to 20%, then the latest year's income is to be used. Where taxable income has increased over the last two years by more than 20%, then maximum of 120% of the previous year's income must be used. |
| Accident Compensation Corporation (ACC) Workers Compensation | <ul style="list-style-type: none"> 100% maybe used where the applicant receiving compensation was employed prior to the accident and will be returning to the same or similar employment following successful rehabilitation. |

Refer to Section 6 Documentation for verification details.

5.7.3 INCOME EXCLUSIONS

The following income sources are not acceptable:

- Workers Compensation (other than ACC) Section 5.7.2
- All other forms of income not specified as per Forms of Acceptable Income, Section 5.7.2
- Kiwisaver tax credits

5.7.4 SERVICEABILITY

- Genworth Financial uses a Net Disposable Income (NDI) method to assess the risk related to a borrower's ability to meet regular fixed commitments.
- Using the Genworth Financial Servicing Calculator, proposed debt repayments (except those with a fixed interest rate for 5 years or more) are calculated at the Genworth Financial factored servicing rate, which is the average standard variable rate of the five major banks or the Lender's standard variable rate (whichever is the higher) plus an interest rate buffer of an additional 1.5% to cover interest rate movements and/or unexpected expenses. If the fixed rate term is 5 years or greater, the actual interest rate can be used to demonstrate servicing (i.e. the additional 1.5% buffer is not required).
- To meet Genworth Financial's servicing requirements the NDI ratio must be at least 1.00:1, which means the Net Disposable Income (after tax and assessed living costs) must be at least 100% of total fixed commitments.
- If you do not have a copy of the Genworth Financial Servicing Calculator, please contact your local Genworth Financial Sales Manager for a copy, or download the calculator from www.genworth.co.nz

5.7.5 JOINT INCOME / JOINT COMMITMENTS

- Where the borrowers have existing joint commitments with parties who are not included in the loan application, 100% of the existing commitment is to be used in calculating serviceability for the new loan
- If the borrowers share a positive income source such as rental income with parties not included in the subject transaction, the borrower's tax return or certificate of title is to be used to ascertain the percentage of ownership. The percentage of ownership will then be applied to the gross joint income, to determine the amount used in calculating serviceability for the new loan.

5.7.6 ALLOWABLE ADD-BACKS

For Self-Employed Borrowers or companies, there may be some expense items that can be added back to net income for the purposes of assessing debt serviceability, i.e.:

- Income/salaries of directors (where not already included in income calculations)
- Interest paid on debt being refinanced
- Non-recurring expenses

5.7.7 UNACCEPTABLE ADD-BACKS

- Depreciation. Depreciation is not normally an allowable add-back as depreciating assets may need to be replaced in the future, therefore this expense will crystallise in time.
- Tax deductibility on investment loans (negative gearing benefit). Whilst investment borrowers may receive a tax benefit on negatively geared investment loans, any such benefit would be subject to the borrower's overall taxation position, which is not readily assessable. However, it should also be noted that any end of year tax benefit would not normally provide any additional monthly cash flow for debt servicing.

5.7.8 NOTIONAL RENTAL EXPENSE

Where the borrower is purchasing an investment property, and is said to reside with family or friends either rent-free or at an unusually low cost, a notional rental expense of \$150.00 per week (\$650 per month) per applicant is to be included as an existing commitment when determining serviceability.

5.8 SECURITY

Sale of the security is the alternative means of clearing the loan debt should the borrower/s not be able to fulfil their repayment obligations. Therefore, it is vital that the security is readily saleable to avoid a protracted selling period.

5.8.1 SECURITY LOCATION GUIDE

- The Security Location Guide identifies property locations for a range of LMI Products for varying loan types and loan amounts.
- The locations are broken up into groups based on population figures obtained from the most recent census data, as well as other factors including sales activity and home prices.
- The guide outlines which districts are acceptable within each region as per the New Zealand Government Territorial Rating Authority.

Note: Genworth Financial will consider any proposal under Standard LMI product, up to 95% LVR where the security property is located in any location in New Zealand that is not included in the Security Location Guide.

5.8.2 SECURITY PROPERTY MINIMUM REQUIREMENTS

- Must be zoned for residential use
- A house, villa, home unit, townhouse, duplex, or vacant land
- Acceptable land tenures include:
 - » Freehold - including Strata, Group and Community titles
 - » Company Title (subject to reduced LVR, generally 85% maximum)
- Power is connected
- Must have direct vehicular access
- Readily saleable with no adverse features such as:
 - » Affected by any government planning scheme
 - » In need of repair or has been poorly maintained
 - » Reduced marketability due to location
- At least 50 m² in living area, excluding balconies and car space (For good quality properties located in Auckland, Wellington and Christchurch, the minimum living area is 40 m²)
- Other security types may be accepted, subject to limitations
- For purchase transactions, the vendor on the sale and Purchase agreement must match the registered proprietor on title.

5.8.3 SECURITY CONCENTRATION

- Where a borrower/ guarantor is providing security that consists of multiple properties located within a concentrated area, Genworth Financial will limit the exposure to the borrower/s to a maximum of 4 units or 25% of a development, whichever is the lower.

5.8.4 SECURITY EXCEPTIONS

- Where a loan is secured by one of the following typically higher risk security types, the application may be considered based on the merits and strength of the borrower's overall position:
 - » Known flood height level is higher than the floor level
 - » Multiple occupancy security (more than four dwellings on the title)
 - » Display home
 - » Located on an island without sealed road connection to mainland
 - » Security boundary located within 50 metres of High Voltage Transmission Lines
 - » Part of a development that has been converted from another usage
 - » Studio Apartment or bed-sitter (no separate bedroom)
 - » Properties developed via Deeds of Participation

5.8.5 UNACCEPTABLE SECURITIES

- Income producing rural properties
- Properties designed, zoned, or used for commercial purposes (excluding residential home units in a commercially zoned development)
- Properties to be constructed by an owner-builder (in whole or part), where the LVR exceeds 50% of the lesser of the cost price or valuation
- Properties that are unique, or have restrictive usage
- Serviced or managed apartments
- Maori Land
- Land that is subject to a Treaty of Waitangi claim
- Deferred Payment Scheme
- Crown Land
- Improved site with land size larger than 10 hectares
- Under a "time share" arrangement
- Land subject to licence to occupy
- Limited Title (any defects)
- Mobile or temporary homes
- Boarding house/hostels
- Land/Improvements contaminated
- Properties with "Lease of Life" covenants on title
- A strata title home unit less than 40 m²
- Properties subject to 'mines subsidence'
- Leasehold properties

5.8.6 RURAL/RURAL RESIDENTIAL/LIFESTYLE SECURITIES

- Rural Residential/Lifestyle properties must:
 - » Not exceed 10 ha
 - » Have water and power connected
 - » Not be income producing
 - » Be located in a town with a population of at least 10,000
- Genworth Financial will consider good quality proposals in locations outside those noted above on a case-by-case basis.

Note: Valuations must not include any non-residential improvements ie: barns, orchards, stables etc.

5.8.7 VACANT LAND

- This is a form of security where the land is devoid of any improvements. The vacant unimproved land may be zoned residential, rural-residential or rural.
- Proposals in locations other than Category 1, 2 and 3 locations may be eligible for LMI cover subject to the overall strength of the proposal and in line with the Maximum Loan Amount Matrix.
- Security must conform to the following:
 - » Land size not to exceed 2.2 hectares (5 acres/22,000m²)
 - » The property must have all weather road access.
 - » Electricity must be connected to property.

5.8.8 HIGH DENSITY APARTMENTS

- A High Density Apartment is a strata titled home unit or apartment located within an area defined as a High Density Location as per the Genworth Financial Security Location Guide, and part of a development comprising more than 35 apartments. The following conditions and restrictions apply to these types of security:
 - » Maximum LVR of 80% may be considered
 - » Valuation should include comparable sales outside the development, and details of any resales within the development
 - » Security must be in a prime location
 - » LVR and concentration restrictions may apply to individual developments

- » Up to 50% of gross rental accepted for servicing
- » A minimum floor size of 50 m² (40 m² in Auckland, Wellington and Christchurch) in living area, excluding balconies and car space
- » Should be a 'High Net Worth' borrower
- » Houses within high-density locations are exempt from this policy, as are home unit developments comprising a total of 35 apartments or less
- » Each proposal will be considered by Genworth Financial on individual merit

The following security types and borrowers are not acceptable:

- Loans to first time property purchasers
- Serviced apartments, or apartments that are subject to a management agreement
- Strata title hotel/motel room

5.8.9 DISPLAY HOMES

- It is not unusual for a builder to construct a home for advertising/display purposes, and subsequently offer the home for sale to a property investor on a leaseback arrangement, often at above market rental rates.
- In most cases Genworth Financial would regard such an arrangement as a standard residential investment lease, and would assess rental income at normal market rates.
- If the subject property is situated within a designated "exhibition village," and the active life of that village has more than 6 months to run, LMI is only available in the following circumstances:
 - » There is no reliance on rental income from the security, or
 - » A Bank (or similarly recognised) guarantee is provided to the Lender by or on behalf of the borrower for an amount equal to the total rent payable from the date of commencement of the loan until the date the exhibition village will cease to operate.

5.8.10 TRANSPORTABLE HOMES

- This term is often applied to a range of pre-fabricated kit style dwellings, which, once properly erected and connected to power and water, are not significantly different to a traditional dwelling.
- For mortgage insurance purposes, the construction of a pre-fabricated dwelling must be undertaken by a qualified and licensed builder under the Lender's normal progress payments and progress inspection criteria.
- Transportable or pre-fabricated homes should not be confused with any form of "Mobile" or temporary home, which may or may not be permanently affixed to a building site. Mobile homes of any type are not an acceptable security for mortgage insurance.

5.8.11 RE-LOCATED HOMES

- This type of security is where an existing dwelling is purchased and then re-located onto another block of land. Re-located homes should not be confused with "Transportable" or "Kit" homes.
- From an LMI perspective, insurance may be available, subject to normal underwriting criteria, however, we are not able to fully assess such a proposal until the house has been installed onto the new location and all services are connected. An on-completion inspection and report from a qualified valuer must confirm that the house has been installed and that the property meets our acceptable security criteria. The Lender will be required to ensure the property complies with Local Government Authority requirements.

5.8.12 NEW HOUSE AND LAND PACKAGES

- Genworth Financial will consider new house and land packages subject to the following:
 - » Valuers are required to comment on the fact that the security is a house and land package, and must document details of any rebates and/or incentives
 - » Where builder rebates and/or incentives are noted, the value of the rebate and/or incentive will be discounted from the purchase price.

5.8.13 SECOND MORTGAGES

- A second mortgage is where a borrower obtains an additional loan using an already mortgaged property as security.
- A loan secured by a second mortgage can be obtained from the existing first mortgagee, or from another Lender that accepts second mortgage security.
- Genworth Financial considers proposals for loans secured by second mortgage security as either;

- » a stand alone (or separate) loan;
- » additional security for a loan for which another security property is provided as a first mortgage (most securitisation warehouses require at least 1 property to be a first mortgage).
- The additional risk with second mortgage security is that should both mortgages not perform, the first mortgagee controls the recovery process for the property, and has first rights of recovery. Additional legal costs, etc may also be incurred during recovery.
- Loans with a second mortgage that require insurance, where the original first mortgage, or any other collateral security is not insured with Genworth Financial, or where the second mortgage loan is behind a first mortgage to another Lender, the premium is calculated on the total of the uninsured loans at the new LVR.
- Where Genworth Financial insures the second mortgage only, maximum LVR is 70%.
- Loans where a second mortgage is taken to complete the transaction but where insurance is not required on the second mortgage, Genworth Financial will include both mortgages when calculating overall LVR and the premium charged will reflect this additional risk.

5.8.14 THIRD PARTY MORTGAGES / GUARANTEES

- There are instances in which it may be commercially viable to agree to insure certain loans that are supported by a third party security.
- The Third Party Mortgage Table sets out those instances where Genworth Financial is prepared to offer LMI, notwithstanding that the insurance does not cover unenforceable securities.

| BORROWER | MORTGAGOR / GUARANTOR | ACCEPTABILITY |
|----------------------------|----------------------------|---|
| A. & B. Citizen | A. Citizen (or B. Citizen) | Y |
| A. Citizen (or B. Citizen) | A. & B. Citizen | Y |
| A. Citizen | B. Citizen | Only if mortgagor is common law spouse of the borrower |
| A. & B. & C. Citizen | A. & B. Citizen | Y |
| A. & B. Citizen Ltd | A. & B. Citizen | Only if both borrowers are directors of the borrower company |
| A. & B. Citizen | A. & B. Citizen Ltd | Only if borrowers are the only directors of the guarantor company |
| A. Citizen | J. Bloggs | Only if mortgagor is common law spouse of the borrower |
| B. Citizen | B. Citizen & J. Bloggs | Only if mortgagors are common law spouses |

5.8.15 NON ARMS LENGTH TRANSACTIONS

- This relates to the sale of a property where a registered Real Estate Agent is NOT acting for the vendor.
- This also includes advantageous/favourable purchases to a family member at a discounted price or where a vendor is selling the property at a discounted price to a person to whom he/she is indebted.

| FEATURE | ADDITIONAL UNDERWRITING POLICIES |
|-----------------------|--|
| Security | <ul style="list-style-type: none"> • A single residential property • Vacant land (up to 90% LVR) |
| Deposit/Equity | <ul style="list-style-type: none"> • The borrowers must be contributing the minimum equity/genuine savings contribution of the actual purchase price in line with specific product parameters. |
| Lender Responsibility | <ul style="list-style-type: none"> • The Lender is to: <ul style="list-style-type: none"> » Confirm in writing the details of the transaction » Ensure that the valuer has noted the purchase price and also the nature of the transaction |
| Other | <ul style="list-style-type: none"> • The premium is based on the LVR calculated on the valuation figure • Each case will be considered on its merits |

5.8.16 CROSS COLLATERALISATION

- Cross collateralisation of loans is quite common and allows Lenders to use equity in **all** properties held as security by that Lender, to secure **all** debts outstanding for the same borrower.
- For all cross collateralised proposals, the following must apply:

- » Security property must be common to all loans under the cross-collateralised structure
- » Each mortgagor under the cross collateralised structure must either be a debtor or guarantor
- » Any guarantor on any loan within the cross collateralised structure will be required to guarantee all loans within the cross collateralised structure
- » In the case of a third party loan, any loan where any borrower is not a mortgagor, that borrower must have a direct relationship to a mortgagor with respect to control (i.e. company where a mortgagor is a director) – please see Third Party Mortgages/Guarantees Section 5.8.15 for acceptable structures
- In terms of processing such proposals, the following is to apply:
 - » Each loan must be presented with a separate LMI proposal form
 - » Each loan must be presented with a separate loan application form outlining the proposed structure
 - » A cover page or memo must be attached outlining the scenario, connection to other proposals and total exposure
 - » Bureau reports must be provided to confirm any directorships of companies
 - » All other standard underwriting parameters are to apply
- A common acceptable scenario is noted below as an example:

| | NEW LOAN 1 | NEW LOAN 2 (Taken out at same time as New Loan 1) |
|-----------|---|--|
| Borrower | A & B – Natural Persons | Company – Directors A & B |
| Mortgagor | A & B – Prop 1 (no existing mortgage over Prop 1) | A & B – Prop 1 |
| Guarantor | A & B – Prop 1 (no existing mortgage over Prop 1) | A & B |

5.9 SECURITY VALUATIONS

- To obtain formal approval of mortgage insurance cover, a valuation is required from a suitably qualified valuer. Upon receipt of the valuation, Genworth Financial LMI Underwriting Policies, as detailed below, must be verified against the valuation.
- For a valuation to be acceptable to Genworth Financial the following important components must be included:
 - » Must be less than 90 days old
 - » Must provide at least three acceptable and recent comparable sales of similar properties
 - » The valuation of a security is not to include any component for GST cost
 - » The valuer must state that the security property is suitable for mortgage lending purposes and may be relied upon by Genworth Financial
 - » Must be based on existing condition of property and/or the on completion value of proposed construction. A separate value should be provided for the land and improvements, except where strata title properties are involved
 - » The valuer should comment on the demand for similar properties in the current real estate market

5.9.1 STANDARD VALUATION (RV)

- Completed by a qualified and registered valuer, the standard valuation is a formal report on the proposed (or existing) security to assist the lender in determining the suitability of the property as security for a mortgage loan. The valuation should contain detailed information on the following:
 - » LOCALITY
 - » IMPROVEMENTS
 - » VALUATION
- A valuation from a registered valuer must be addressed to the lender, must be no more than 3 months old at time of proposal, and must allow the mortgage insurer to rely on the information provided.
- A standard valuation report should provide a brief description of the proposed security including the location and surrounding area, the size and construction, type of improvements, comparable recent sales, and the condition and marketability of the property.

Note: Genworth Financial accepts a nominal amount for chattels as noted in a registered valuation. Chattels are defined as fittings in a property, which are included in a contract of sale such as floor coverings, carpets, drapes, blinds and light fittings, but excludes furniture packages and other such items.

LOCALITY

- When looking at a valuation and assessing a security property it is important to consider the locality of the property.
 - » Location - The property should be located in an area zoned for Residential development. Rural/rural-residential/lifestyle properties may be acceptable subject to the services available, size, and location. Flood prone properties may be acceptable subject to certain floor height restrictions.
 - » Zoning - Improvements to the land must comply with the Local Government zoning/planning scheme.

IMPROVEMENTS

- This term generally relates to the physical building on a block of land. It refers to any fixture that improves a vacant block of land.
- The property should be well maintained and in good saleable condition. Utility areas should be relatively modern. Suggested repairs or renovations should be detailed and costed.

VALUATION

- For a valuation to be acceptable to Genworth Financial the following important components must be included:
 - » It should be stated that the valuation is for mortgage lending purposes
 - » Valuation must be based on existing condition of property and/or the on completion value of proposed construction. A separate value should be provided for the land and improvements, except where strata title properties are involved.
 - » All comparable sales information should be recent (i.e. within the previous six (6) months). Where the proposed security will incur a GST cost, comparable sales must relate to existing properties, which did not incur GST.
 - » The valuer should comment on the demand for similar properties in the current real estate market.

Note: Reduced valuation requirements have been approved for various lenders, the conditions of which may vary subject to the requirements of the lender.

- The valuation of a security is not to include any component for GST cost.
- Where any doubt exists regarding the value of any security, a check valuation is to be carried out by a staff valuer or a consultant valuer.

5.10 LOAN PURPOSE

5.10.1 INVESTMENT LOANS

An Investment Property Loan enables a borrower to purchase or construct residential real estate for investment purposes. An investment loan may also include borrowings secured by residential property for any investment purpose.

| FEATURE | ADDITIONAL UNDERWRITING POLICIES |
|---------------------------|---|
| Maximum LVR & Loan Amount | <ul style="list-style-type: none"> • *95% |
| Security | <ul style="list-style-type: none"> • Security must be located in a Category 1, 2 or 3 location as per the Genworth Financial Security Location Guide • Investment loan proposals outside these postcode locations will be considered up to 90% LVR on individual merit. |
| Credit History | <ul style="list-style-type: none"> • No defects in previous credit history |
| Employment / Income | <ul style="list-style-type: none"> • Refer to Section 5.7.2 Forms of Acceptable Income for further details |

**Loans above 90% are subject to:*

- No defects in the borrowers credit history
- Evidence of stable employment history

5.10.2 DEBT CONSOLIDATION

Debt Consolidation enables a borrower to consolidate existing consumer loans with their home loan, all in one new loan. Examples of consumer loans are personal loans, car loans, credit cards etc. As a consequence of consolidation of all existing debts, the borrower has only one monthly repayment, which in many cases may improve their servicing and reduce their commitment level.

| FEATURE | ADDITIONAL UNDERWRITING POLICIES |
|---------------------------|--|
| Maximum LVR & Loan Amount | <ul style="list-style-type: none"> 90% (regardless of the number of debts being consolidated) |
| Security | <ul style="list-style-type: none"> Vacant land is unacceptable |
| Credit History | <ul style="list-style-type: none"> Satisfactory conduct of accounts to be consolidated is to be shown. Refer to Refinance section 5.10.8 for further details. |
| Other | <ul style="list-style-type: none"> Where funds are not released directly to the Lender, Equity Release parameters are to be observed. |

5.10.3 EQUITY RELEASE/CASH OUT

Any loan, or component of a loan where the loan funds are **released directly to the borrower/s**, regardless of the proposed purpose, are subject to the following additional policies:

| FEATURE | ADDITIONAL UNDERWRITING POLICIES |
|---------------------------|--|
| Maximum LVR & Loan Amount | <ul style="list-style-type: none"> Standard LMI <ul style="list-style-type: none"> » 85.01 - 90% – Cash out component is limited to 20% for the security value » 0 - 85% – No limit applicable to cash out component |
| Security | <ul style="list-style-type: none"> The security for Equity Release loans must be of a residential nature and can include vacant land up to 2.2 hectares in size if located in a Category 1 or 2 postcode area |

5.10.4 BRIDGING LOANS

A bridging loan enables a borrower to purchase another home prior to completing the sale of an existing property. The Lender takes a mortgage over both the existing and the new property pending the sale of the existing home.

| FEATURE | ADDITIONAL UNDERWRITING POLICIES |
|---------------------------|--|
| Maximum LVR & Loan Amount | <ul style="list-style-type: none"> 85% (or product limit if it is lower) based on total exposure including capitalised interest for the period of the Lender's approval Upon sale of the existing property, the residual LVR is not to be any greater than that approved for the bridging loan |
| Employment / Income | <ul style="list-style-type: none"> Serviceability must be evident on the end debt (a separate serviceability calculation will need to be completed to check that end debt is serviceable) |
| Loan term | <ul style="list-style-type: none"> Up to a maximum of 12 months The existing home must be sold within a given timeframe, usually 6 to 12 months |
| Repayment Type | <ul style="list-style-type: none"> The Lender can allow for interest on one of the loans to be capitalised for up to 12 months pending the sale of the existing property |

5.10.5 OFF-THE-PLAN STRATA PURCHASES

For the purposes of this Underwriting Policy, this term refers to unit/town house developments only. When a property is purchased "off-the-plan" it may be up to 12 months (or more) before settlement can be effected upon completion of construction.

| FEATURE | ADDITIONAL UNDERWRITING POLICIES | |
|---------------------------|----------------------------------|--------------------------------|
| Maximum LVR & Loan Amount | Contract Signed | Max LVR |
| | More than 12 months ago | 90% of on-completion valuation |
| | Less than 12 months ago | 95% of purchase price only |

| | |
|----------|--|
| Security | <ul style="list-style-type: none"> • Genworth Financial will consider LMI proposals for “off the plan” home unit purchases in the following circumstances: <ul style="list-style-type: none"> » The proposal clearly identifies an off the plan purchase » The security type and location are acceptable • For LMI, on-completion valuations will be accepted if: <ul style="list-style-type: none"> » The contract to purchase was entered into at least 12 months prior to the valuation » If no initial valuation (based on plans and specifications) is received, approval can only be on an “In Principal” basis, subject to receipt of a satisfactory valuation on completion » If a valuation is submitted with the initial proposal, it must be from a qualified valuer, based on plans and specifications of the subject security and comparable sales in other similar developments » The Lender must obtain an updated valuation upon completion of construction, which must support the earlier value and purchase price and confirm that the property has been completed to the standard specified » If the purchase was contracted more than 6 months prior to advance of loan funds and the current valuation provides acceptable comparable sales of similar properties outside the development, the current valuation amount will be accepted for calculation of the LMI premium • Genworth Financial reserves the right not to proceed should the final valuation not be satisfactory, or if resulting lending margins exceed policy for this type of security |
| Other | <ul style="list-style-type: none"> • Acceptance/approval will lapse after 180 days (6 months) if the loan has not been advanced and the LMI premium is not paid |

5.10.6 HOME IMPROVEMENT LOANS

Lenders may provide additional advances for home improvements in the form of a Top Up of an existing loan, or a new separate loan with the same or different terms and conditions. Genuine home improvements are additions or alterations made to the property that add value to the property.

| FEATURE | ADDITIONAL UNDERWRITING POLICY |
|---------------------------|---|
| Maximum LVR & Loan Amount | <ul style="list-style-type: none"> • 95% of revised (on-completion) valuation. All improvements require confirmation in the form of a valuation from a registered valuer to note successful completion. |
| Loan Purpose | <ul style="list-style-type: none"> • Examples of acceptable home improvements include: replacement or major upgrade of kitchen or bathroom, addition of swimming pool, garage or carport, extensive landscaping, upgrade or inclusion of a concrete driveway and/or complete re-roofing of premises. |
| Lender Responsibility | <ul style="list-style-type: none"> • Where an increased security value (resulting from proposed improvements) is to be relied upon, it is the Lender’s responsibility to ensure that the funds are applied to the security and the additional improvements/work is satisfactorily completed. |

5.10.7 CONSTRUCTION LOANS

A construction loan enables a borrower to build a single or duplex residential property on an existing block or vacant residential land, or to carry out structural improvements to an existing dwelling, either for owner occupation or investment purposes.

| FEATURE | ADDITIONAL UNDERWRITING POLICY |
|---------------------------|--|
| Maximum LVR & Loan Amount | <ul style="list-style-type: none"> • Maximum loans and LVR limits for construction loans are as per relevant Product Parameters • Genworth Financial will not insure owner/builder construction loans where the loan amount is more than 50% of the expected on-completion valuation |

Lender Responsibility

- Construction loans can only be insured if for single or duplex residential properties to be erected by a licensed builder, or, in some cases, an owner-builder. Please note the following conditions when assessing construction loans:
 - » If not an owner-builder, the building contract should be with a licensed builder, covering all aspects of construction, and should include a fixed price provision with a maximum 12 month term for completion
 - » The vacant land, plus Council approved plans and specifications should be valued by a qualified valuer on an on-completion basis
 - » The Lender is required to sight evidence of a current homeowner's warranty insurance policy in place between the builder and the borrower
 - » The Lender is to ensure the borrower's proposed equity in the construction project is fully utilised prior to advancing any loan funds
 - » During construction, the security should be inspected by either the valuer, or a duly qualified engineer, at slab/footings stage to verify construction is in line with approved plans and that work has commenced on the correct block of land
- The Lender must satisfy itself that:
 - » Requests for progress payments by the builder are commensurate with work completed; and
 - » Sufficient loan funds are retained throughout the construction period to enable completion
 - » Where the construction works are to be completed by an external builder, at least two progress inspections are made during the construction period, including:
 - One at slab/footings stage and
 - One at the completion of construction before the final progress payment; or
 - » Where the construction works are to be completed by an owner-builder, a progress valuation is undertaken before each progress payment.
- Prior to the final progress payment, the valuer must confirm that the property has been constructed in accordance with the approved plans and specifications
- Prior to the commencement of full loan repayments, interest accrued on loan advances is to be paid by borrowers on a monthly basis

5.10.8 REFINANCE

A Refinance is where a borrower pays out an existing mortgage loan with funds from a new loan, (usually through another Lender), using the same security property. A refinance may often form part of a Debt Consolidation loan, and may include additional funds in the form of an Equity Release.

| FEATURE | ADDITIONAL UNDERWRITING POLICY | |
|---------------------------|--------------------------------|---|
| | Maximum LVR | When applied |
| Maximum LVR & Loan Amount | 95% | Refinance of existing mortgage loan only with no additional funds for either equity release, consolidation of another debt or to purchase/construct another property. |
| | 90% | Refinance of existing mortgage loan with or without additional funds for equity release (subject to Equity Release and Debt Consolidation limits). |

| Credit History | Product | Satisfactory Conduct |
|----------------|---|-----------------------------------|
| | Existing Mortgage Loan | 6 months conduct history required |
| | Personal Loan | 6 months conduct history required |
| | Credit Card | 3 months conduct history required |
| | <ul style="list-style-type: none"> Lenders must sight original statements of the loan being refinanced and retain copies certified by the Lender or its agent on the loan file. Copies may be forwarded with the proposal or, alternatively, the Lender may include a certification that the appropriate evidence is held Refer to section 6 for verification details | |

5.10.9 REFINANCE OF HOMEBUYER PLUS OR NON-GENUINE SAVINGS PRODUCT

Where a loan was originally under our HomeBuyer Plus or Non-Genuine Savings product, and the balance of funds were provided from a second mortgage, Genworth Financial will consider insurance of the refinanced second mortgage as a top-up, subject to the following conditions:

| FEATURE | ADDITIONAL UNDERWRITING POLICY |
|---------------------------|---|
| Maximum LVR & Loan Amount | <ul style="list-style-type: none"> 95% Investment loans above 90% are subject to Investment Loan Parameters, refer Section 5.10.1. |
| Deposit / Equity | <ul style="list-style-type: none"> Equity in property is sufficient to consolidate both the first and second mortgages |
| Credit History | <ul style="list-style-type: none"> A minimum 6 months satisfactory repayment history is evident on both existing debts |
| Other | <ul style="list-style-type: none"> Both debts must be paid in full (no partial refinances) No Equity Release/Cash Outs available under this policy An updated valuation is to be provided by the original valuer (from the original loan proposal) confirming a sufficient increase in the value of the security property. |

5.10.10 LOAN PURPOSE EXCLUSIONS

Genworth Financial does not insure loans approved for the following purposes:

- Loans for Development Finance (Construction of more than 2 dwellings on one block of land, purchase of multiple blocks of vacant land in a sub-division, refinancing commercial facilities that have been used to fund development finance or developers gearing up against residual stock to fund next development)
- Vendor Finance (WRAP Finance)

5.11 LOAN FEATURES

Genworth Financial recognises the changing face of loan products within the mortgage industry. The industry has seen many new innovative products hit the market with differing features than the traditional home loan. Genworth Financial insures loans with the following features:

- Interest Only Loans
- Line of Credit
- Redraw Facility
- Split Borrowings
- Loan terms up to 40 years
- Parenting Repayment Break

5.11.1 INTEREST-ONLY LOANS

- An Interest-Only facility is where the borrower is only required to meet interest payments for a specific period of time. Traditional interest-only loans are generally interest-only for up to the first 5 or 10 years and then convert to principal and interest payments.
- The maximum loan amount and LVR per security is limited as follows:

| REPAYMENT STRUCTURE | MAXIMUM LVR | MAXIMUM TERM |
|--|-------------|--|
| Interest-only loans NOT converting to principal and interest within 10 years | 90% | 10 years |
| Interest-only loans converting to principal and interest within 10 years | 95% | As per Product Parameters, Section 4 Products – Maximum Interest Only term is not to exceed 10 years |

5.11.2 LINE OF CREDIT FACILITY

- A revolving line of credit facility provides continuous credit for come and go needs. In most cases, only Interest payments are met for the duration of the loan term.

| REPAYMENT STRUCTURE | MAXIMUM LVR | MAXIMUM TERM |
|---------------------|-------------|---|
| Line of Credit | 90% | As per Product Parameters, Section 4 Products |

5.11.3 REDRAW FACILITY

- Many Lenders permit borrowers to deposit extra amounts into a loan account as surplus repayments, thereby reducing monthly interest charges. Borrowers are then permitted to redraw those surplus funds as the need arises from time to time.
- Providing a loan redraw does not result in the insured loan exceeding the scheduled amortised balance, Genworth Financial has no objection to this practice.
- Where the Lender allows the borrower to exceed the Scheduled Amortised Balance by way of the redraw facility, that excess is not covered under the LMI policy.

5.11.4 SPLIT BORROWINGS (WITH COMMON SECURITY)

- Lenders offer split borrowings for a range of reasons which may include different loan purposes, different interest rates, repayment methods or different loan terms.
- There have been instances where some Lenders have packaged multiple loans so that each party to a joint property purchase, has a separate loan account in his/her own individual name, with cross guarantees from other joint purchasers.
- Where split loans have the same borrowers, Genworth Financial will assess the combined exposure under Standard LMI policy, with the total LMI premium apportioned between the loans.
- Where the split loans have separate borrowers, i.e. separate loans for each joint mortgagor, LMI cover is not available.

5.11.5 LOAN TERMS UP TO 40 YEARS

- For Standard LMI and HomeBuyer Plus products only, loan terms of up to 40 years are available.
- All other products are limited to 30 years.

5.11.6 PARENTING REPAYMENT BREAK (PRB)

- Parenting Repayment Break is available to eligible customers on both our Standard LMI and Homebuyer Plus products.
- Borrowers who are on or planning to take maternity/paternity leave will have the ability to take a brief break in repayments.
- Subject to the criteria outlined below, lenders may approve the Parenting Repayment Break without seeking consent from Genworth.

| FEATURE | PRODUCT PARAMETERS (SUMMARY) |
|--------------|---|
| Maximum LVR | <ul style="list-style-type: none"> • 90% – at time of request |
| Loan Purpose | <ul style="list-style-type: none"> • Owner Occupied loans only |

| | |
|----------------|---|
| Credit History | <ul style="list-style-type: none"> • Minimum of 12 months of satisfactory loan repayment prior to allowing a Parenting Repayment Break • Repayment history must be clear of missed/late payments for at least 6 months |
| Repayment Type | <ul style="list-style-type: none"> • IO not permitted |
| Other | <ul style="list-style-type: none"> • Parenting Repayment Break may be taken as either: <ul style="list-style-type: none"> » 3 months 'no repayments' or » 6 months 'half repayments' • Maximum of 2 Parenting Repayment Breaks during life of loan • 12 full monthly payments must be made between each subsequent Parenting Repayment Break • Repayments to be re-amortised over remaining term following a Parenting Repayment Break |
| Documentation | <ul style="list-style-type: none"> • Lender is to retain evidence of: <ul style="list-style-type: none"> » Evidence of maternity/paternity leave approval » Lenders approval of Parenting Repayment Break » Re-amortisation, serviceability calculations and » Income evidence (if applicable) |

5.12 CREDIT HISTORY

- A credit bureau report must be obtained on all individual borrowers and any related companies, and should be clear of any prior defaults, writs, judgements or bankruptcy.

5.12.1 CREDIT DEFAULTS

- Each individual Genworth Financial product has specific credit bureau history parameters. The following policy applies to the Standard LMI product only. Refer to specific Product Parameters for further details.
- Minor defaults may be acceptable where:
 - » they have been paid at least 6 months prior to the loan application and
 - » are accompanied by a satisfactory written explanation.

5.12.2 BANKRUPTCY

- For all proposals received under our standard product where the borrower has been previously declared bankrupt, the following parameters must be adhered to:
 - » Minimum 2 years discharged from bankruptcy;
 - » Maximum LVR of 75% to apply;
 - » The applicant must provide satisfactory explanation.

6. DOCUMENTATION

6.1 MINIMUM VERIFICATION REQUIREMENTS

- Genworth Financial relies on the lender to have conducted a complete and thorough credit assessment for all loan proposals. This includes complying with this Policy, for the purposes of Genworth Financial providing Lenders Mortgage Insurance under the Master Policy of insurance between Genworth Financial and the Insured Lender.
- The definitions and information outlined in this document are not exhaustive and represents the minimum acceptable verification requirements for submission of a proposal to Genworth Financial.
- Genworth Financials LMI Proposal Form contains the following question:
Has genuine savings, income, employment details and security been verified as acceptable?
- Set out below is Genworth Financials definition of 'acceptable' for the purpose of the above question.
- If you have a proposal that does not meet these definitions, and you wish to submit to Genworth Financial for acceptance, then please answer 'no' to the question on the LMI Proposal Form and submit with the relevant supporting documentation.

6.1.1 SIGHTING ORIGINAL COPIES OF DOCUMENTS

- All documents used for the purpose of verification must be originals, or copies of the originals that have been certified as true copies. Once the Lender or its agent² has sighted the originals and certified the copies, they must be retained in the loan file.
- Where it is not possible to sight the original documents, the following Validation Steps should be undertaken in addition to the Minimum Verification Requirements:

| DOCUMENT VALIDATION FOR USE WHEN ORIGINAL DOCUMENTS ARE NOT SIGHTED | |
|--|---|
| Documentation Type | Validation Steps |
| INCOME / EMPLOYMENT EVIDENCE (PAYE) | As well as meeting all other requirements set out in Genworth's Minimum Verification Requirements, you should in all cases: <ul style="list-style-type: none"> » Verify employer's contact details through an independent source (eg. White Pages) » Complete verbal confirmation of the borrowers' employment and income details <i>Note: Please refer to Section 6.1.4 of Genworth Financial's LMI Underwriting Policy & Product Parameters titled 'Verifying Employment Means' for further details</i> |
| INCOME / EMPLOYMENT EVIDENCE (SELF-EMPLOYED) | As well as meeting all other requirements set out in Genworth's Minimum Verification Requirements, you should in all cases: <ul style="list-style-type: none"> » Obtain Inland Revenue Departments Tax Summary |
| STATEMENTS | As well as meeting all other requirements set out in Genworth's Minimum Verification Requirements, you should in all cases: <ul style="list-style-type: none"> » Carefully check the statements for any alterations or inconsistencies. Additional validation steps may include: <ul style="list-style-type: none"> - Confirm consistency of debits/credits to account - Check document alignment and font etc. |
| OTHER DOCUMENTS | Carefully check the documents for any alterations or inconsistencies |
| - Documents not covered by the above sections | |

² Includes any mortgage manager, loan originator, mortgage broker, loan broker and their agents and all sub-agents involved in the establishment of the insured loan.

6.1.2 VERIFYING GENUINE SAVING

Where genuine savings is comprised of deposit funds held in account(s) with a financial institution, obtaining the following documents in the name(s) of the borrower(s) dated not older than three months prior to the date of the loan application:

- Savings or account statements on a financial institution's stationery
- Passbooks
- If savings are held with the Lender, a diary note stating the amount of the genuine savings held; or
- Loan statements on the Lender's stationery showing accelerated payments
- Internet statements are only acceptable if all of the following are present:
 - » The borrower(s) name;
 - » Account number;
 - » Individual transactions are itemised and there is a running account balance; and
 - » The logo of the bank or financial institution is displayed
 - » If the borrower's name or the logo is not displayed on the Internet statements, a separate bank-issued statement must be provided to verify these details.

Once obtained, the documents must be reviewed in order to ensure:

- Savings are genuine and evident over a three-month period, with no lump sum or unusual deposits (large deposits may be acceptable if investigated and explained satisfactorily).
- The statements are genuine.

If other acceptable alternatives are being relied upon in lieu of genuine savings (e.g. shares, managed funds or equity in other real estate etc.), then documents evidencing ownership for a period of at least 3 months must be obtained. For example, a certificate or statement if shares, managed funds or other investments are being utilised, or a rates notice and loan statement (if applicable) if equity in other real estate is being utilised.

6.1.3 VERIFYING INCOME

For PAYE borrowers

Where the income being assessed is for a PAYE borrower, the following documents must be obtained:

- Two of the three most recent computer generated/paper payslips for the borrower(s). These payslips should contain (as a minimum) borrower name, employer's name and year-to-date income; or
- Three months statements from a financial institution showing regular salary credits, with the name of the employer evident.

If these documents are unavailable, at least two of the following must be obtained for each borrower:

- The employment contract;
- Inland Revenue Departments Tax Summary;
- A letter from the employer that is on company letterhead and contains details of gross annual income (identifying any base income separately), role or position, length of employment, the basis of employment (full or part-time, or casual) and breakdown of the salary package (if applicable);
- One computer generated payslip.

If income is unable to be confirmed through the above-mentioned sources, or if the Lender is relying on a letter from the employer solely, then the borrower(s) employment must be verified as set out in Section 6.1.4 of this document.

If there are any concerns with the income documentation, particularly in cases where the borrower and employer are related, the borrower's most recent Tax Assessment Notice should also be requested.

Once obtained, the documents must be reviewed in order to ensure:

- The income is consistent with the year-to-date figure appearing on the payslip;
- The employer's full details (business name and contact details) are clearly stated;
- The letter of employment (if obtained) is signed and dated;
- The Lender must be satisfied that the employer is a legitimate business or company.

For Self-Employed borrowers

Where the income being assessed is for a Self-Employed borrower, two full years of personal and business tax returns must be obtained. Interim financials are unacceptable.

NOTE: Where a borrower only has 12 months trading in the current business and 2 years in previous employment within similar occupation/field, the application may be considered by Genworth Financial as an exception, based on the borrower's self employment circumstances and the overall strength of the proposal.

Once obtained, the documents must be reviewed in order to ensure:

- The Accountant's details are clearly stated on the documents and
- The borrower is GST registered for a minimum of 12 months.

Additional Verification Requirements for LOW DOC Product

The following additional information will also be required for all Low-Doc proposals:

- Signed and dated LOWDOC Income Declaration
- Past 12 months GST returns and Inland Revenue Department receipts
- Past 6 months company transaction account statements
- Past 6 months personal transaction account statements (primary account only)
- Companies office search to confirm the company is currently registered and returns are being filed (if applicable).

6.1.4 VERIFYING EMPLOYMENT MEANS

- Obtaining the employer's telephone number from an independent source, for example from Telecom White / Yellow pages.
- Calling the employer to confirm:
 - » That the borrower is currently employed, and
 - » The amount of income.
- If possible, also confirm:
 - » The length of employment, and
 - » The borrower's occupation or role.
- Checking such information against the information that has been provided in the loan application and other supporting documentation for consistency.
- Documenting all material aspects of the telephone discussion and retaining such record on the loan file.

If the employer refuses to confirm any details, then a diary note to this effect should be retained on file.

6.2 MINIMUM VERIFICATION REQUIREMENTS – REFINANCE OR DEBT CONSOLIDATION

- Genworth Financial's LMI Proposal Form contains the following question:
Has the repayment history on all facilities being refinanced been confirmed as satisfactory?
- Set out below is Genworth Financial's definition of 'satisfactory' for the purpose of the above question.
- If you have a proposal that does not meet these definitions, and you wish to submit to Genworth Financial for acceptance, then please answer 'no' to the question on the LMI Proposal Form and submit with the relevant supporting documentation.

6.2.1 VERIFYING SATISFACTORY REPAYMENT HISTORY MEANS

- Reviewing loan conduct over the previous 6 months by obtaining the most recently issued loan and account statements for all loans being refinanced (or three months for credit card debts) and evidence of repayments being maintained since the last statement was issued. This evidence is to be retained on file.
- If the loan statements are greater than 6 months old, the borrower must provide other evidence that the loan repayments are up to date (eg. A copy of deposit payment receipts, Internet statements, or statements showing the deductions being made from another account). This evidence should be no older than 3 months prior to the date of the

loan application

- Reviewing these statements so as to ensure that they contain no evidence of any the following:
 - » There has been more than one late payment (30 days or more overdue) in the last six-month period;
 - » A missed payment remains unpaid;
 - » Any number of dishonoured payments; or
 - » The loan is, or has been, outside of the approved limit or scheduled balance during the prior six-month period.
- If any unsatisfactory elements described above are evident, a detailed and acceptable written explanation must be provided with the LMI Proposal, along with copies of the loan statements.

6.3 DOCUMENTATION REQUIRED TO BE SUBMITTED WITH LMI PROPOSALS

The following section provides details of the relevant documentation that must be sent to Genworth Financial to support the LMI proposal.

Note: Where necessary in exceptional cases, Genworth Financial reserves the right to request more detailed information pertaining to specific proposals.

DOCUMENTATION REQUIRED FOR LMI PROPOSAL

DOCUMENTS TO BE OBTAINED

- A signed and dated Genworth Financial LMI proposal form
- A copy of the completed loan application
- A copy of the servicing calculation used in your loan assessment
- Valuation report (or approved alternative) – no more than 90 days old
- Credit bureau reports for all borrowers and guarantors
- Last 6 months current account transactional statements (primary account only)
- For refinance transactions, copies of the latest 6 months of loan account statements plus a copy of the property rates notice (if available) as per Minimum Verification Requirements – Refinance or debt consolidation Sections 6.2
- A copy of the contract of sale for property being purchased
- Proof of genuine savings (if applicable) eg. 3 months banks account statements, certificate of investment as per Minimum Verification Requirements Sections 6.1
- Evidence of income verification, and copies of all documents that you have used or relied upon eg. Pay slips, IR 12 Tax Certificates, tax returns, LOWDOC income declaration as per Minimum Verification Requirements Sections 6.1
- Evidence of employment verification, and copies of all documents that you have used or relied upon eg. Letter from employer as per Minimum Verification Requirements Sections 6.1
- Copies of all checklists or verification forms used as part of your assessment
- Any other document that are relevant to or in support of your proposal

Additionally, if Self-Employed or a Company

- Last two year's personal tax returns for each borrower and/or company director; plus either:
- Last two year's company or business tax returns for all related business/entities OR
- One company or business tax return plus one set of the financials reflecting two years trading activity for all related

Note: Genworth Financial, may also request Tax Assessment Summaries at the discretion of the Account Manager, to support the tax returns provided.

Additionally, if application is outside of Underwriting Policy

- Supporting comments outlining the strengths of the proposal should be submitted.

Documentation required to be retained by Lender

- In addition to documents detailed above, other documentation may be obtained as part of the loan approval process.
- They do not need to be sent in to Genworth Financial unless requested or considered appropriate under your duty of disclosure obligations under the Insurance Contracts Act, 1984.

6.3.1 GENWORTH FINANCIAL DECISION

- After the proposal has been assessed, Genworth Financial will issue an Acceptance Advice, a Conditional Approval, a Decline Advice, or a request for additional information depending on the outcome of the assessment.
- If approved, the acceptance advice will include the amount of premium plus GST payable at settlement. Upon payment of the premium, a Certificate of Insurance will be issued.

7. POLICY VARIATIONS

7.1 SUBSTITUTION OF SECURITY AND PARTIAL RELEASE OF SECURITY

| VARIATION | ADDITIONAL UNDERWRITING POLICY |
|---|--|
| No change or decrease to current LVR or insured loan amount | <ul style="list-style-type: none"> • Settlements for the sale and purchase are effected simultaneously • The valuation of the new property is the same or greater than the original property • Where the value of the new security is less than the value of the original security, a principal reduction is effected to a level that ensures that the loan balance does not exceed the current LVR (based on the Scheduled Amortised Balance) • New security must be of comparable quality with regard to saleability, location and condition and acceptable as per Section 5.8 of this Underwriting Policy • No refund or additional premium is payable |
| Increase in current LVR or insured loan amount | <ul style="list-style-type: none"> • Deemed a new risk and a new proposal is to be submitted • A premium on the new risk is payable • The original policy will be cancelled and, where applicable, a refund will be payable (see table below) • The variation refund will not off set any new premium due • To calculate refund due: <ul style="list-style-type: none"> » Determine period of time elapsed since policy issued » Determine premium paid on original policy » Using table below, determine % of refund payable |

NOTE: Full valuation report no older than 90 days must be provided for all remaining / new securities in all cases.

7.1.1 VARIATION REFUND

- For loan variations such as Substitution of Security and Partial Release of Security, and any others, which increase the exposure or risk, a new proposal and premium will apply. A special refund in respect of the existing policy may be payable.
- Any enquiries received by Genworth Financial from borrowers regarding refunds will be forwarded to the Lender to address.
- For variation refunds, the following table is to apply:

| PERIOD FROM DATE OF PREMIUM PAYMENT TO DATE OF VARIATION | REFUND PAYABLE ³ |
|--|-----------------------------|
| 3 months or less | 80% |
| Over 3 months to 1 year | 70% |
| Over 1 year to 2 years | 50% |

Note: No refund will be paid where the amount calculated is less than \$150. This table is subject to change from time to time.

Example:

| | |
|--------------------------------------|---------|
| Premium paid on original policy/loan | \$2,400 |
| Term of policy elapsed 13 months | 50% |
| Refund due on original policy | \$1,200 |

³ Based on the total LMI premium paid less any rebate paid to the lender.

7.2 LOAN DISCHARGES – CANCELLATIONS

- The Lender should advise Genworth Financial as soon as the loan has been fully repaid so that the policy can be cancelled in our system and any refund due calculated. Please include your loan number, Genworth Financial reference number, the borrower name and the date of the final payment.
- **No refund** is payable where:
 - » separate arrangements are in place with the lender for a reduced premium rate in lieu of taking premium refunds
 - » the loan is repaid within one year of the maturity date of the mortgage; or
 - » the notification of cancellation of the policy is received by Genworth Financial more than 3 months after repayment of the insured loan; or
 - » the refund amount is less than \$150.00; or
 - » a loss has eventuated; or
 - » the loan has been reported to Genworth Financial to have had arrears
- Any enquiries made to Genworth Financial from borrowers regarding refunds will be forwarded to the Lender to address. See below for the current refund rate table, which is subject to change from time to time:

| PERIOD FROM DATE OF PREMIUM PAYMENT TO DATE WHEN LOAN HAS BEEN REPAID IN FULL | REFUND PAYABLE ³ |
|---|-----------------------------|
| 1 year or less | 40% |
| Over 1 year to 2 years | 20% |

Note: Period of Insurance commences from the date of premium payment to the date the loan is fully repaid (if notified to the Insurer within 3 months of that date), or the date on which written notice is received from the Insured that the policy is to be cancelled.

7.3 LOAN INCREASES (TOP UPS) AND ADDITIONAL LOANS

- Lenders may provide additional advances for many purposes in the form of a Top Up of an existing loan, or a new separate loan with the same or different terms and conditions. A Top Up is deemed to be a further advance added to an existing loan account and maintained as one total loan.
- Additional advances to loans, which subsequently require mortgage insurance, where the existing loan is not already insured, will be treated as a new proposal for the total loan amount.

| FEATURE | PARAMETERS (SUMMARY) |
|---------------------|--|
| Max Amount/LVR | <ul style="list-style-type: none"> • Loans for genuine home improvements are permitted to 95% of a revised (on-completion) valuation • For all other purposes, max LVR of 90% is to apply • When calculating LVR, the Scheduled Amortised Balance on existing loans, plus the new loan are to be used |
| Employment / Income | <ul style="list-style-type: none"> • As per Standard LMI Product Parameters Section 4.1 |
| Credit History | <ul style="list-style-type: none"> • Existing loan must have been operating for at least 6 months • Acceptable repayment history for at least the past 6 months • Only one additional loan permitted within any 6 month period • Where full monthly contractual repayments have not been made (eg Parenting Repayment Break), a written explanation is required |
| Loan Term | <ul style="list-style-type: none"> • For Standard LMI and HomeBuyer Plus loans, the loan term for the Additional Loan may exceed the loan term of the original loan insured, however must not exceed 40 years • For other products term must not extend beyond the maturity date of the original loan insured. Where consent is given to amend the maturity date of the original loan, the Additional Loan must not extend beyond the amended maturity date of the original loan |

| | |
|-----------|--|
| Valuation | <ul style="list-style-type: none"> As per Valuation Requirements Section 5.9 Security Valuation. <p><i>Note: Where a Lender's revaluation of the security property results in normal lending guidelines not requiring mortgage insurance, and the existing loan is insured, the Lender may elect not to insure the Additional Loan, however, Genworth Financial must be advised. In such circumstances, a separate loan account must be maintained for the Additional Loan, as it will not be covered in any subsequent claim.</i></p> |
| Premium | <ul style="list-style-type: none"> At any time an additional advance is to be made to an existing loan, which is already insured with Genworth Financial, only the amount of the Additional Loan component (at the overall loan to valuation ratio) is considered when calculating the mortgage insurance premium. The same rule applies to other separately maintained loans made against the same security for an existing insured loan. A new proposal is required together with details of current income, current commitments, and updated security value Additional advances to loans, which subsequently require mortgage insurance, where the existing loan is not already insured, will be treated as a new proposal for the total loan amount and the premium is calculated on the total of the Additional Loan plus the uninsured amortised loan limit. |
| Other | <ul style="list-style-type: none"> Where a Lender submits an Additional Loan and the new proposal is under a different product to the original proposal, the application can be considered under the new product, provided the application meets all policy requirements under the new product. Pricing will be calculated using the rate cards for the new product. |

7.4 EASY ADD ON

Genworth Financial has streamlined this service to make the process easier for both Lenders and borrowers.

The following criteria must be met in order to qualify for this streamlined process:

| FEATURE | PARAMETERS (SUMMARY) |
|---------------------------|---|
| Max Amount/LVR | <ul style="list-style-type: none"> Maximum loan (Top Up) amount is limited to \$100,000 Maximum LVR of 90% or product limit, whichever is lesser |
| Employment / Income | <ul style="list-style-type: none"> Asset and Liability statement is not required All borrowers must sign a "no diminution in financial position" declaration form as approved by Genworth Financial Employment information and income types must meet standard Genworth Financial parameters Serviceability must meet Genworth Financial policy unless an alternative agreement is in place Lender will verify PAYE employment and income by either obtaining the most recent payslip or by phoning the employer and keeping a signed telephone enquiry record on their files For Self-Employed Borrowers we will rely upon the previous evidenced income if no older than 12 months and if there has been no change to employment since the last full application. If increased income is required to prove serviceability or previous documentation is greater than 12 months old the Lender will request and provide updated financials as per our standard Self-Employed parameters |
| Credit History | <ul style="list-style-type: none"> Existing loan must have been operating for at least 6 months Acceptable repayment history for at least the past 6 months Where full monthly contractual repayments have not been made (eg Parenting Repayment Break), a written explanation is required No Baycorp checks are required |
| Maximum Borrower Exposure | <ul style="list-style-type: none"> Current Genworth Financial exposure must be less than \$500,000 per borrower |
| Valuation | <ul style="list-style-type: none"> As per Valuation Requirements Section 5.9 Security Valuation. |

| | |
|---------|---|
| Premium | <ul style="list-style-type: none"> At any time an additional advance is to be made to an existing loan, which is already insured with Genworth Financial, only the amount of the Additional Loan component (at the overall loan to valuation ratio) is considered when calculating the mortgage insurance premium. The same rule applies to other separately maintained loans made against the same security for an existing insured loan. A new proposal is required together with details of current income, current commitments, and updated security value Additional advances to loans, which subsequently require mortgage insurance, where the existing loan is not already insured, will be treated as a new proposal for the total loan amount and the premium is calculated on the total of the Additional Loan plus the uninsured amortised loan limit |
| Other | <ul style="list-style-type: none"> Existing loan must be insured by Genworth Financial |

7.5 CONDITIONAL APPROVALS AND ACCEPTANCE ADVICES

An Acceptance Advice is issued after Genworth has fully assessed and approved a proposal. A conditional approval or indicative approval advice may be issued after assessment subject to satisfactory valuation only.

| DOCUMENT | APPROVAL DURATION |
|-----------------------|-------------------|
| Acceptance Advices | 180 days |
| Conditional Approvals | 90 days |

7.5.1 EXPIRED ACCEPTANCE ADVICES

Expired Acceptance Advices where the loan has not yet been advanced require a full re-verification of submission information inclusive of income, employment, funds to complete, account conduct and credit bureau history. Genworth Financial will require the following information for re-assessment:

Where the loan has not been advanced

| DOCUMENT | WHERE TO OBTAIN THIS |
|--|----------------------|
| Copy of original submission (including LMI proposal form, loan application and valuation) | Your files |
| Updated income and employment verified through obtaining the most recent payslip or by phoning the employer. If employment has changed, standard verification procedure applies as per Section 6 of this document. | From the borrower |
| Updated Assets and Liability statement | From the borrower |
| Updated Serviceability Calculator | Your records |
| Updated Valuation or confirmation of value | From original valuer |
| Updated Credit Bureau Report | Your records |
| Other Supporting documents as applicable (e.g. refinance statements) | Your records |

For expired Acceptance Advices where the loan has already been advanced, Genworth Financial may consider accepting the premium. Each proposal must be referred to the relevant Sales Manager for approval. The following information will be required:

Where the loan has already been advanced, but the LMI premium has not been paid

| DOCUMENT | WHERE TO OBTAIN THIS |
|--|-----------------------------------|
| Re-lodgement LMI proposal form for expired Acceptance Advice | Your local Genworth Sales Manager |
| Copy of loan statement from drawdown showing satisfactory repayment conduct | Your records |
| Updated income and employment verified through obtaining the most recent payslip or by phoning the employer. If employment has changed, standard verification procedure applies as per Section 6 of this document. | From the borrower |

| | |
|--|----------------------|
| Updated Assets and Liability statement | From the borrower |
| Updated Serviceability Calculator | Your records |
| Updated Valuation or confirmation of value | From original valuer |
| Updated Credit Bureau Report | Your records |

Note: Any loans with arrears history will not be accepted for reinstatement.

7.5.2 EXPIRED CONDITIONAL APPROVAL ADVICES

Any Conditional Approval Advice that does not convert into a full approval within the 90 day time frame will expire. No reinstatement is available. If cover is still required the proposal will need to be resubmitted to Genworth Financial for re-assessment in the normal fashion.

Note: All borrower/guarantor information must be re-verified in order for Genworth to re-assess the proposal.