



Genworth®
Financial



LENDERS MORTGAGE INSURANCE (LMI)
UNDERWRITING POLICY, PRODUCT PARAMETERS
AND MANAGEMENT GUIDELINES

AUSTRALIA
DECEMBER 2009

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

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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.com.au

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1. GLOSSARY

TERM	DEFINITION
Additional Loan	An Additional Loan is deemed to be an additional advance to an existing insured loan, against existing security, that is either added to the existing loan or 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 (including stamp duty on 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 that qualify for the government's First Home Owners Grant (FHOG).
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.
Premium Credit	For a Top-Up application, Premium Credit is the total amount of any premium/s previously paid (less stamp duty) in respect of the existing insured loan/s for the same borrowers and the same security.
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	For LMI purposes, an individual is considered Self-Employed when they receive the majority (i.e. more than 50%) of their total income from a business in which they are the sole trader, a partner, director or shareholder.
Top-Up	A Top-Up is a further advance to an existing insured loan that is either added to the existing loan or maintained in a separate loan account (see also Additional Loan).

2. GENWORTH FINANCIAL

Genworth Financial (Genworth) is Australia'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. Our financial strength is underpinned by the AU\$2.7 billion investment portfolio and our rich data gained through insuring mortgages over 40 years.

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 the 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	90%
		\$750,000	95%
HomeBuyer Plus	Any borrower including First Home Buyers who wish to purchase or construct an owner occupied property with a limited deposit.	\$750,000	90%
		\$650,000	95%
Family Pledge	Any borrower, especially First Home Buyers with no deposit.	\$750,000	85%
	Family supported security required.		
Limited Income Evidence (Low Doc)	Self-Employed Borrowers with limited income evidence.	\$1,000,000	80%

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	\$750,000	\$500,000	On Application
	80.01 – 90%	\$850,000	\$600,000	\$450,000	On Application
	90.01 – 95%	\$750,000	\$500,000	\$350,000	On Application
Vacant Land	0 - 90%	\$600,000	\$400,000	\$200,000	On Application
	90.01 – 95%	\$550,000	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 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"> • Purchase or Construction of owner occupied property - 5% genuine savings required as a minimum deposit for loans with LVR in excess of 85% • Purchase or Construction of investment property - 10% of genuine equity must be demonstrated 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 18) » 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"> • Clear credit history for borrower/s and guarantor/s
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, wishing to purchase or construct owner occupied property 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 stamp duty, 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%	\$750,000	\$600,000	\$450,000	N/A
	90.01 – 95%	\$650,000	\$500,000	\$350,000	N/A

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"> » Purchase or Construction of investment property » 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, loan or FHOG • If borrowed, repayment must be included in servicing calculations
*Borrowers	<ul style="list-style-type: none"> • Australian 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"> • As per Standard LMI Product Parameters Section 4.1
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 (except where taken as part of a Combination Loan see 5.11.3)

4.3 FAMILY PLEDGE

Target Market: Suited to borrowers, especially First Home Buyers with no deposit, who have an immediate family member that is willing and able to offer security support.

Benefits: Allows borrowers to own their own home sooner by allowing them to borrow the full purchase price plus up to an additional 10% to cover costs.

MAXIMUM LVR & LOAN AMOUNTS					
Property Type	LVR	Category 1	Category 2	Category 3	All Other
House/Unit	0 - 85%	\$750,000	\$500,000	\$400,000	N/A

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"> • May include small debt consolidation of up to 10% of purchase price (at original application only) • Excludes: <ul style="list-style-type: none"> » Purchase vacant residential land » Home Improvement » Refinance existing mortgage » Equity Release/Cash Out
*Security	<ul style="list-style-type: none"> • Vacant land is unacceptable • Maximum of 2 security properties for each application (property being purchased plus pledge security)
*Deposit/Equity	<ul style="list-style-type: none"> • No deposit or genuine equity required
*Borrowers	<ul style="list-style-type: none"> • All borrowers must be titleholders for the property being purchased • Must be natural persons • Australian 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"> • As per Standard LMI Product Parameters Section 4.1
*Loan Term	<ul style="list-style-type: none"> • Maximum 30 years
*Repayment Type	<ul style="list-style-type: none"> • Interest Only not permitted • Interest Only 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
*Lender Responsibility	<ul style="list-style-type: none"> • Lender needs to have satisfactory systems and/or processes in place that link borrower and guarantor securities and loans. • Required to have parameters and documentation to manage risks involved with third party guarantee securities. (Genworth does not cover losses eventuating from the pledge guarantee being invalid or unenforceable). • In all other respects, LMI proposals must meet Genworth Financial LMI Underwriting Policy.

*Guarantor / Pledge	<ul style="list-style-type: none"> • Borrowers maximum LVR before the pledge is 110% (i.e. total loan amount / purchase property security value or purchase price) • Guarantors maximum LVR is 50% for the pledge component only (i.e. total pledge amount / guarantor security property value) • Guarantors maximum LVR is 70% including all pledge amounts and any outstanding debt secured by the guarantor's property (i.e. total guarantor debts [secured by this security property] = pledge / guarantor security property value) • The pledge is a 'Limited' personal guarantee that limits the guarantors' liability to a specific amount • The guarantee must be supported by either a 1st or 2nd mortgage over residential real estate • Eligible guarantors must be an immediate family member to the borrower - parent, child or sibling • All registered proprietors of the pledge security property must be guarantors • No company or trustee guarantors • A maximum of one pledge per application. However, guarantors are able to provide up to a maximum of two pledges, provided each pledge applies to an individual loan proposal for separate borrowers • In the event of borrower default, Genworth Financial would exercise its rights under the master policy agreement to require the Lender to exercise its own rights under the pledge prior to the submission of an LMI claim • The guarantor/s must provide personal details (name and address) and details of the security property including any outstanding debt against the security property • Where there is finance outstanding against the guarantor's security property, six months loan statements evidencing satisfactory conduct are required
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 » Parenting Repayment Break

4.4 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 - 80%	\$1,000,000	\$750,000	\$500,000	N/A
Vacant Land	0 - 80%	\$600,000	\$400,000	N/A	N/A

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"> • Size of property not to exceed 2.2ha (5 acres)
*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"> • Australian Residents only • 'First Home' discount not applicable
*Employment / Income	<ul style="list-style-type: none"> • At least one borrower must be Self-Employed • All Self-Employed borrowers must hold: <ul style="list-style-type: none"> » An active ABN for at least 2 years » 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 BAS Statements from the ATO » BAS Statements will be required for each trading entity, should the borrower declare income from more than one trading entity on the LMI application » Past 6 months personal transaction account statements (primary account only) • Must have a Net Disposable Income of at least 1.00:1 of total commitments based on declared income
*Credit History	<ul style="list-style-type: none"> • As per Standard LMI Product Parameters Section 4.1
*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) MAX 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	\$750,000	\$500,000	On Application
	80.01 – 90%	\$850,000	\$600,000	\$450,000	On Application
	90.01 – 95%	\$750,000	\$500,000	\$350,000	On Application
Vacant Land	0 - 90%	\$600,000	\$400,000	\$200,000	On Application
	90.01 – 95%	\$550,000	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 18) • Company • Trustee of a Trust or • Any multiple or combination thereof
Excluded borrowers	<ul style="list-style-type: none"> • Limited Liability Companies • 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 and shareholders are required to provide unconditional joint and several guarantees as mentioned above.
- The trustee of the trust must always be the borrower in its own right and as trustee for the trust.
- This requirement applies to both family/discretionary and unit trusts.

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 homebuyers 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 Product • Family Pledge Product • HomeBuyer Plus Product
Borrowers	<ul style="list-style-type: none"> • To be eligible for this initiative, the borrower must be eligible for the government's First Home Owners Grant and this should be indicated in the LMI Proposal form submitted with the proposal
Lender Responsibility	<ul style="list-style-type: none"> • Must obtain written evidence of FHOG 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 in Australia, and/or any person who resides and is employed in another country.
- New Zealand citizens living and working in New Zealand or permanent residents of New Zealand are considered residents of Australia and are not treated as non-residents.

FEATURE	ADDITIONAL UNDERWRITING POLICIES	
Maximum LVR & Loan Amount	Loan Amount	Maximum LVR
	Up to \$500,000	80%
	\$500,001 - \$750,000	75%
Product Availability	<ul style="list-style-type: none"> • Standard LMI only 	
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 Australia or New Zealand 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"> • Where required, must obtain written evidence that Foreign Investment Review Board approval has been granted 	

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.
- Genuine savings need to be evidenced in the following circumstances:

PRODUCT	LOAN PURPOSE	LVR	GENUINE EQUITY REQUIREMENT
Standard	Purchase/Construction	> 85%	Owner occupied - 5% Investment - 10%
Low Doc	Purchase/Construction	Any	20%
Homebuyer Plus	Purchase/Construction	Any	Nil

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
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Refer to Section 6 Documentation for verification details.

5.6.2 NON GENUINE SAVINGS

Non Genuine savings	<ul style="list-style-type: none"> • Do not contribute towards the 5% genuine savings requirement. And include: <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 » First Home Owners Grant (FHOG) » Funds held in company/business accounts » The proceeds of a personal loan » Builder's or vendor's rebate/incentive
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Refer to Section 6 Documentation for verification 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.

5.6.4 FIRST HOME SAVER ACCOUNTS

- First Home Saver Accounts is the initiative by the Australian Government aimed at assisting Australians aged 18 and over to save for their first home.
- The government will contribute 17 percent on the first \$5,000 (indexed) of individual contributions made each year with a capped balance of \$75,000.
- Funds saved in First Home Saver Accounts are acceptable as a form of genuine savings.

5.7 EMPLOYMENT & INCOME

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

5.7.1 ACCEPTABLE EMPLOYMENT STATUS

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 • 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
Second Job	<ul style="list-style-type: none"> • Minimum 12 months in current employment

5.7.2 FORMS OF ACCEPTABLE INCOME

Salary and wages	100% accepted if length of employment criteria is met
Overtime	<ul style="list-style-type: none"> • 50% may be used to assist in serviceability if payment is regular and is a condition of employment • 100% may be used where employment is in the Essential Services industry (e.g. Ambulance, Police Service, Nursing, etc.)

Shift allowance	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 5.8.9 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)	• 80% of income as demonstrated in tax returns – income level must be evidenced over the past 2 years
Social Security benefits/ Government Pension	• 100% accepted where it is considered permanent for the next five years (unemployment benefit/sickness benefits are not acceptable)
Car allowance	• 100% may be added to gross taxable income
Fully maintained company car	• \$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.

Refer to Section 6 Documentation for verification details.

5.7.3 INCOME EXCLUSIONS

The following income sources are not acceptable:

- Workers Compensation
- Income from boarders
- All other forms of income not specified as per Forms of Acceptable Income, Section 5.7.2.

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 average standard variable rate of the four 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 Financials 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.com.au.

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 (Confirmation from borrowers accountant required)

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 by postcode for a range of LMI Products for varying loan types and loan amounts.
- The postcodes are broken up into groups based on population figures obtained from the most recent census data, as well as other factors including the geographic spread of the postcode, sales activity, and home prices.

Note: Genworth Financial will consider any proposal under Standard LMI product, up to 95% LVR where the security property is located in any postcode in Australia 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 (Community Title properties in NSW and VIC are only acceptable if the development has been fully completed.)
 - » Company Title (subject to reduced LVR, generally 85% maximum)
 - » Crown Leasehold
 - » Residential Area Rights and Residence Licences (Victoria Only)
- Power is connected
- Must have direct vehicular access
- Readily saleable with no adverse features such as:
 - » Affected by any government or state 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 a desirable and high demand capital city metropolitan location, the minimum living area is 40 m².)
- Other security types may be accepted, subject to limitations

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 two 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
 - » Vacant Land exceeding 2.2 hectares (5 acres /22,000 m²)
 - » Studio Apartment or bed-sitter (no separate bedroom)
 - » Serviced apartments
 - » Properties that are unique, or have restrictive usage

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, or construction by an owner builder completed under the "Home Building System" systems where the LVR exceeds 75%
- Crown Land (other than the ACT)
- Leasehold properties (other than Crown Land in the ACT)
- Purple Title (W.A.), or Moiety Title (S.A.)
- Improved site with land size larger than 40 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 the Western Lands Act
- Properties subject to 'mines subsidence'

5.8.6 RURAL/RURAL RESIDENTIAL SECURITIES

- Rural Residential properties must:
 - » have water and power connected
 - » not be income producing
- There are many types of local council zonings on property. For the purpose of this Underwriting Policy:

- » A property with residential improvements between 2.2 hectares and 10 hectares in size is considered Rural-Residential, and
- » A property with residential improvements between 10 hectares and 40 hectares is considered Rural.
- The maximum loan amount and LVR per security are limited as follows:

SIZE	LVR	LOCATION
2.2 up to less than 10 hectares (Rural-residential)	Max 90%	Category 1, 2 or 3 postcode areas
10 up to less than 20 hectares (Rural)	Max 70%	Category 1, 2 or 3 postcode areas
20 up to 40 hectares (Rural)	Max 60%	Category 1, 2 or 3 postcode areas

- 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 postcodes 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 COMPANY TITLE AND STRATUM TITLE (VIC) HOME UNITS

- May be considered up to a maximum LVR of 85 % (depending on strength of application).

5.8.9 HIGH DENSITY APARTMENTS

- A High Density Apartment is a strata titled home unit or apartment located within a postcode 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 high demand locations) 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 Home Owners property purchasers
- Serviced apartments, or apartments that are subject to a management agreement
- Strata title hotel/motel room

5.8.10 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.

5.8.11 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.

5.8.12 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.

5.8.13 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

5.8.14 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%.

5.8.15 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 Pty Ltd	A. & B. Citizen	Only if both borrowers are directors of the borrower company
A. & B. Citizen	A. & B. Citizen Pty 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

5.8.16 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

5.8.17 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 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 VALUATION

- To obtain formal approval of mortgage insurance cover, a valuation that has been prepared in accordance with Genworth Financial's Valuation Minimum Standards 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

Note: Special arrangements may be approved for various Lenders, the conditions of which may vary subject to the requirements of the Lender.

5.9.1 STANDARD VALUATION

- 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, recent comparable sales, and the condition and marketability of the property. The valuation should contain detailed information on the following:
 - » Locality
 - » Improvements
 - » Valuation
- Genworth Financial prefers the API Property Pro Pro-forma Report template developed specifically for residential mortgage valuation work.

LOCALITY

- When looking at a valuation and assessing a security property it is important to consider the locality of the property.

VALUATION	REQUIREMENT
Location	The property should be located in an area zoned for Residential development. Rural properties may be acceptable subject to the services available, size, and location
Zoning	Improvements to the land must comply with the Local Government zoning/planning scheme

- Flood prone properties may be acceptable subject to certain floor height restrictions.
- Any property located in an areas zoned for commercial or industrial development is not acceptable.

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.

5.9.2 VALUER GENERAL'S ASSESSMENT

- This type of valuation is one provided by the Valuers general office and is updated periodically.
- This valuation is used by local government authorities in assessing a property owner's rates.
- Lenders are required to hold a copy of the document disclosing the VG figure, which is to be certified (by the Lender) to be a true copy from an original.

Note: Where the VG document does not indicate whether the land is improved, the security will be deemed to be vacant land and the loan must not exceed the following parameters.

MAXIMUM LVR & LOAN AMOUNTS					
Property Type	LVR	Category 1	Category 2	Category 3	All Other
House/Unit	75%	\$500,000	\$350,000	\$300,000	N/A
	75.01 - 80%	\$400,000	\$300,000	N/A	N/A
Land	75%	\$150,000	\$150,000	\$150,000	N/A

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 postcode area 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
Genuine Savings/Equity	<ul style="list-style-type: none"> • Minimum 10% genuine savings/equity need to be evidenced where LVR exceeds 85%

**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 released directly to the borrower, 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	Standard LMI <ul style="list-style-type: none"> • 85.01 - 90% – Cash out component is limited to 20% of 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

Genworth Financial may insure 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

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 unless the owner/builder utilises the Home Building System (HBS) • For proposals where an owner/builder utilises the HBS system, the maximum acceptable LVR is 75% of the on-completion valuation. These proposals will include a certificate from HBS confirming that the construction will be completed under the HBS system. Otherwise, maximum LVR is 50%

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 & Loan Amount	Maximum LVR	When applied
	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 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
- Combination Loans
- 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.

LOAN STRUCTURE	MAXIMUM LVR	LMI PRODUCT
Line of Credit	90%	Standard LMI
	80%	Low Doc

For Lines of Credit with higher LVR's, refer to Combination Loans, Section 5.11.3

5.11.3 COMBINATION LOANS

- A Combination Loan allows a borrower to structure their loan in such a way that they can combine a Line of Credit facility with a principal and interest loan.
- Where a Line of Credit facility is combined with a principal and interest component, the following additional parameters apply.

LINE OF CREDIT (INTEREST ONLY) PORTION	MAXIMUM LVR	PRODUCT
Up to 20% of the total loan amount	95%	Standard LMI HomeBuyer Plus

FEATURE	PRODUCT PARAMETERS (SUMMARY)
Loan Purpose	• As per relevant Product Parameters, Section 4 Products

Credit History	<ul style="list-style-type: none"> As per relevant Product Parameters, Section 4 Products
Loan Term	<ul style="list-style-type: none"> As per relevant Product Parameters, Section 4 Products
Repayment Type	<ul style="list-style-type: none"> For loans up to 90% LVR, the total loan may be Interest Only or principal and Interest. For loans above 90% LVR, the non Line of Credit component must be fully amortising from commencement (i.e. cannot be Interest Only converting to Principal and Interest).
Other	<ul style="list-style-type: none"> For loans above 90% LVR, a Line of Credit component can only be insured where Genworth insures all loans secured by the same property.
Lender Responsibility	<ul style="list-style-type: none"> Lender is to provide: <ul style="list-style-type: none"> » Loan Amount split – example \$20,000 Line of Credit (IO) and \$80,000 P & I » Interest /Repayment Type – example Fixed/ Variable for each loan component » Maximum of 4 loan components

5.11.4 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.

5.11.5 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.

5.11.6 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.

5.11.7 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 Financial.

FEATURE	PRODUCT PARAMETERS (SUMMARY)
Max 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, guarantors and any related companies, and should be clear of any prior defaults, writs, judgements or bankruptcy.

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 Financial's LMI Proposal Form contains the following question:
Has genuine savings, income, employment details and security been verified as acceptable?
- Set out below is Genworth Financial's 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 (PAYG) Payslips Group Certificates Letter of Employment	As well as meeting all other requirements set out in Genworth's Minimum Verification Requirements, you should <u>in all cases</u> : <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 » Complete ABN check on the employer <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) Tax Returns Business Financials	As well as meeting all other requirements set out in Genworth's Minimum Verification Requirements, you should <u>in all cases</u> : <ul style="list-style-type: none"> » Obtain ATO Tax Assessment Notice <i>Note: Where an original Tax Assessment Notice cannot be sighted, you should carefully check for any alterations or inconsistencies</i>
STATEMENTS Genuine Savings Refinance Statements	As well as meeting all other requirements set out in Genworth's Minimum Verification Requirements, you should <u>in all cases</u> : Carefully check the statements for any alterations or inconsistencies. Additional validation steps may include: <ul style="list-style-type: none"> » Confirm first three digits of BSB Number (bank and state details) are correct » Confirm consistency of debits/credits to account » Check document alignment and font etc.
OTHER DOCUMENTS Documents not covered by the above sections	Carefully check the documents for any alterations or inconsistencies

²Includes 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 SAVINGS

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 PAYG borrowers

Where the income being assessed is for a PAYG 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 ABN, 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;
- The PAYG Payment Summary or Tax Assessment Notice;
- 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, ABN 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 example by checking that the employer's stated ABN is correct and current. These details are publicly available from the Australian Business Register website (<http://www.abr.gov.au/>).

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 has a registered ABN for a minimum of 2 years;
- The borrower is registered for GST for a minimum of 12 months.

Information about ABN's and GST are publicly available from:

- The Australian Business Register website (<http://www.abr.gov.au/>); and
- The Australian Taxation Office website (<http://www.ato.gov.au/>) by accessing the For Businesses section.

For Rental Income

Where rental income from investment properties is being used in serviceability assessment, it must be verified through one of the following sources:

- Valuation report
- Rental income statements
- Rental appraisal from real estate agent
- The borrowers' tax returns

If multiple sources of evidence are available, the lower rental amount must be used in all cases.

Additional Verification Requirements for LOW-DOC Product

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

- Signed and dated LOW-DOC Income Declaration
- Past 12 months BAS Statements lodged with the ATO including evidence of lodgement
- BAS Statements will be required for each trading entity, should the borrower declare income from more than one trading entity on the LMI application
- Past 6 months personal transaction account statements (primary account only)

6.1.4 VERIFYING EMPLOYMENT MEANS

- Obtaining the employer's telephone number from an independent source, for example from Telstra's White / Yellow pages, or from an ABN website or reference source.
- 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 sections provide details of the relevant documentation that must be sent to Genworth Financial to support the LMI proposal.

Unless advised by your Genworth Financial Sales Manager, the Short Form process will apply.

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

6.3.1 DOCUMENTATION REQUIRED FOR LMI PROPOSAL (SHORT FORM)

DOCUMENTS TO BE SENT TO GENWORTH FINANCIAL

- 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
- Full Valuation report (or approved alternative) – no more than 90 days old
- A copy of the contract of sale if the transaction involves a purchase of a brand new unit / apartment / townhouse / villa
- Credit bureau reports **with adverse credit history** if you fully support the proposal. A suitable explanation from the borrower should accompany the proposal.
- For refinance transactions, unsatisfactory loan account statements if you fully support the proposal
- Evidence of income verification, and copies of all documents that you have used or relied upon eg. Pay slips, group certificates, tax returns, LOW-DOC 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

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 Notices 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.

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

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.
 - » ID verification
 - » Privacy Statements
 - » Savings Statements
 - » Balance Sheets
 - » Depreciation schedules
 - » Parts of contract of sale not pertaining to details of the actual sale
 - » Building and/or development approval
 - » Credit bureau reports clear of adverse credit history.
 - » Satisfactory refinance statements
 - » Evidence of savings & excess repayment verification (Accelerated Payments)

6.3.2 DOCUMENTATION REQUIRED FOR LMI PROPOSAL (LONG FORM)

DOCUMENT 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
- Full Valuation report (or approved alternative) – no more than 90 days old
- Credit bureau reports for all borrowers and guarantors
- 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, group certificates, tax returns, LOW-DOC 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 Notices 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.

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

Documentation required to be retained by Lender

- In addition to documents detailed above, other documentation may be obtained 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.

6.3.3 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 and stamp duty 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

7.1.1 SUBSTITUTION OF SECURITY

VARIATION	ADDITIONAL UNDERWRITING POLICY
LVR and Loan Amount remain the same or decrease	<p>Documentation Requirements:</p> <ul style="list-style-type: none"> • LMI Variation form • Confirmation of residual loan amount and LVR • Full valuation of new security (or securities) not older than 90 days <p>Underwriting Policy:</p> <ul style="list-style-type: none"> • The residual loan amount and LVR must satisfy product parameters • The new security (or securities) must satisfy policy as per Section 5.8 of this Underwriting Policy • No fee or additional premium will apply in this scenario • Original policy will remain in force, variation refund is not payable
LVR or Loan Amount increases within current product parameters	<p>Documentation Requirements:</p> <ul style="list-style-type: none"> • New proposal submitted in line with Genworth standard documentation as per Section 6 of this Underwriting Policy <p>Underwriting Policy:</p> <ul style="list-style-type: none"> • All aspects of this Underwriting Policy must be met • A new LMI premium will apply in this scenario • Original policy will be cancelled and, where applicable, a variation refund will be payable as per Section 7.1.3 of this Underwriting Policy

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

7.1.2 PARTIAL RELEASE OF SECURITY

VARIATION	ADDITIONAL UNDERWRITING POLICY
LVR remains the same or decreases	<p>Documentation Requirements:</p> <ul style="list-style-type: none"> • LMI Variation form • Confirmation of residual loan amount and LVR • Full valuation of remaining security (or securities) not older than 90 days <p>Underwriting Policy:</p> <ul style="list-style-type: none"> • The residual loan amount and LVR must satisfy product parameters • The remaining security (or securities) must satisfy policy as per Section 5.8 of this Underwriting Policy • No fee or additional premium will apply • Original policy will remain in force, variation refund is not payable

LVR increases within current product parameters (total net sale proceeds are applied to the loan)	<p>Documentation Requirements:</p> <ul style="list-style-type: none"> • LMI Variation form • Confirmation of residual loan amount and LVR • Updated employment and income evidence and current assets and liabilities • Full valuation of remaining security (or securities) not older than 90 days • Contract of Sale for outgoing security • Settlement disbursement details confirming net proceeds and destination of funds. In cases where a disbursement notice is not available, confirmation in writing is required that full net proceeds are being applied to the loan <p>Underwriting Policy:</p> <ul style="list-style-type: none"> • All aspects of this Underwriting Policy must be met • A fee of \$500.00 will apply • Original policy will remain in force, variation refund is not payable
LVR increases within current product parameters (part sale proceeds are applied to the loan)	<p>Documentation Requirements:</p> <ul style="list-style-type: none"> • New proposal submitted in line with Genworth standard documentation as per Section 6 of this Underwriting Policy <p>Underwriting Policy:</p> <ul style="list-style-type: none"> • All aspects of this Underwriting Policy must be met • A new LMI premium will apply • Original policy will be cancelled and, where applicable, a variation refund will be payable as per Section 7.1.3 of this Underwriting Policy
LVR increases outside of current product parameters (resulting from Hardship)	<p>Variations resulting from hardship must be submitted directly to the Hardship Solutions Team:</p> <p>Hardship Solutions Team Fax: 1300 135 759 Ph: 02 8022 7348 Email: hardship@genworth.com</p> <p>Documentation Requirements:</p> <ul style="list-style-type: none"> • Hardship Recommendation Form • Confirmation that all avenues have been exhausted to reduce LVR to maximum product LVR • Declaration (by lender/funder) that borrower is in a distressed financial situation • Valuation of remaining security (or securities) not older than 90 days • Valuation of outgoing security not older than 90 days • Contract of Sale for outgoing security • Settlement disbursement details confirming net proceeds and destination of funds. In cases where a disbursement notice is not available, confirmation in writing is required that full net proceeds are being applied to the loan

LVR increases outside of current product parameters (not resulting from Hardship)

Documentation Requirements:

- LMI Variation Form
- Confirmation of residual loan amount and LVR
- Confirmation all avenues have been exhausted to reduce LVR to maximum product LVR
- Confirmation Hardship Assistance is not required
- Full set of supporting documentation as per Section 6 of this Underwriting Policy
- Valuation of remaining security (or securities) not older than 90 days
- Valuation of outgoing security not older than 90 days
- Contract of Sale for outgoing security
- Settlement disbursement details confirming net proceeds and destination of funds. In cases where a disbursement notice is not available, confirmation in writing is required that full net proceeds are being applied to the loan

Underwriting Policy:

- Amendments falling under this scenario will be considered on an exception basis only
- All aspects of this Underwriting Policy must be met
- A risk-based fee determined on application will apply
- Original policy will remain in force, variation refund is not payable

7.1.3 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

³Based 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 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 ⁴
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 whether it is maintained separately or 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 Total Loan Limit, the Scheduled Amortised Balance on existing loans, plus the new loan are to be used • 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 (e.g Parenting Repayment Break), a written explanation is required
Loan Term	<ul style="list-style-type: none"> • For Standard LMI and HomeBuyer Plus loans, the remaining loan term must not exceed 40 years. • For Low Doc and Family Pledge loans, the remaining loan term must not exceed 30 years.

⁴Based on the total LMI premium paid less any rebate paid to the lender.

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	<p>Additional Advance where original loan insured by Genworth.</p> <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, the new premium will be calculated on the total exposure (Scheduled Amortised Balance amount plus additional loan amount) at the new LVR. The premium amounts(s) previously paid on the existing insured loan, and any subsequent additional advances, will be deducted from the new premium amounts as a 'Premium Credit'. Top-Up loans on existing LMI policies will be allocated one policy which will now encompass the total loan exposure and will supersede any previous policies. This will negate the need to provide individual and separate policy numbers for Top-Up loans in future. The original policy is superseded and replaced by the new Top-Up loan policy. <p>Additional Advance where original loan NOT insured by Genworth.</p> <ul style="list-style-type: none"> 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 When calculating Total Loan Limit, the Scheduled Amortised Balance on existing loans, plus the new loan are to be used 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"> • 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 PAYG 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 old 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 (e.g Parenting Repayment Break), a written explanation is required • No Credit Bureau 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	<p>Additional Advance where the original loan is insured by Genworth.</p> <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, the new premium will be calculated on the total exposure (Scheduled Amortised Balance amount plus additional loan amount) at the new LVR. • The premium amounts(s) previously paid on the existing insured loan, and any subsequent additional advances, will be deducted from the new premium amounts as a ‘Premium Credit’. • Top-Up loans on existing LMI policies will be allocated one policy which will now encompass the total loan exposure and will supersede any previous policies. This will negate the need to provide individual and separate policy numbers for Top-Up loans in future. • The original policy is superseded and replaced by the new Top-Up loan policy.
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 Financial 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 records
Updated income and employment verified either through obtaining the most recent payslip or by phoning the employer. If employment has changed than 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 Report	From acceptable valuer
Updated Credit Bureau report	Genworth will obtain
Other supporting documents as applicable (eg 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 Financial Sales Manager
Copy of loan statement from drawdown showing satisfactory repayment conduct.	Your records
Updated income and employment verified either through obtaining the most recent payslip or by phoning the employer. If employment has changed than 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 Report	From acceptable 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 Financial to re-assess the proposal.

8. LOAN MANAGEMENT

This section provides an overview of Genworth's expectations and the lender's obligations during the life of a LMI policy. The information contained in this section should be read in conjunction with preceding Underwriting Policy as well as the Genworth Master Policy.

8.1 PAYMENT OF LMI PREMIUM

The Master Policy clearly sets out Genworth's requirements in respect of the payment of the LMI premium. In summary, the key requirements are as follows:

8.1.1 TIMING OF PREMIUM PAYMENT

Following approval (acceptance) of the LMI proposal, the premium must be paid to Genworth within 28 days of:

- settlement (for a property purchase or refinance); or
- the first loan advance (for any other loan purpose)

8.1.2 LAPSED LMI APPROVAL

Where the LMI premium is not paid within 6 months of the LMI approval, the approval will lapse and will be withdrawn.

8.1.3 RE-LODGE MENT PROPOSAL

Where the LMI approval has been withdrawn and LMI is still required, a new 'Re-Lodgement' proposal will need to be submitted with updated assessment criteria as well as a copy of the loan statement from drawdown (if the loan has been advanced).

For further information, refer to Conditional Approvals and Acceptance Advices section 7.5

An LMI Re-Lodgement proposal can be obtained by contacting your Genworth Sales Manager.

8.2 POLICY VARIATIONS

During the term of an insured loan, circumstances may change and a borrower may seek to vary certain aspects of the loan by way of additional borrowings, an extended term, or even a change to the security property. In any of these events, Genworth has documented requirements, such as:

8.2.1 TOP UP (ADDITIONAL LOAN)

Genworth provides Top Up cover for existing insured loans for a variety of loan purposes. It should be noted that in any case where additional loan funds are advanced direct to the borrower, regardless of the stated loan purpose, this will be regarded as an Equity Release by Genworth and an increased premium rate will apply.

In all cases a new LMI proposal must be submitted to Genworth.

For further information, refer to Loan Increases (Top Ups) and Additional Loans section 7.3

8.2.2 EXTENSION OF LOAN/POLICY TERM

At any time during the term of an insured loan, Genworth will consider extending the term of the LMI policy up to a maximum 40 years from commencement, subject to a review of the loan performance and the borrower's personal circumstances. Where the total loan term exceeds 30 years, an increased premium may apply.

For maximum terms, refer to the relevant Product Parameters section 4

An LMI Variation Request form must be submitted to Genworth.

8.2.3 SUBSTITUTION OF SECURITY

Where a borrower proposes to sell an existing security property, and replace it with another of similar or higher value, Genworth will consider a "Substitution of Security" in respect of the existing LMI policy, subject to the requirements set out in section 7.1.1 of the Genworth Underwriting Policy.

An LMI Variation Request form must be submitted to Genworth.

8.2.4 PARTIAL RELEASE OF SECURITY

Where an insured loan is secured by mortgage over more than one property, and one or more of the securities is to be sold, Genworth will consider a variation to the LMI policy subject to the requirements set out in section 7.1.2 of the Genworth Underwriting Policy

An LMI Variation Request form must be submitted to Genworth.

8.2.5 CHANGE IN BORROWER/MORTGAGOR

In any case where there is a request to change any of the mortgagor/s or borrower/s, Genworth will consider the circumstances and re-assess the risk based on the remaining borrower/s' capacity to service the debt.

An LMI Variation Request form must be submitted to Genworth.

8.3 DEFAULT MANAGEMENT

8.3.1 LMI ARREARS REPORTING

Under the Terms and Conditions of the Master Policy, any insured loan which is three (3) months or more in arrears must be reported to Genworth within 14 days of the end of each month.

Genworth has a standard Arrears Report that provides for lenders to advise the current status of the loan and any recovery action taken or proposed.

Genworth will review any loan reported in arrears for the first time to identify the potential for Hardship Assistance.

8.3.2 HARDSHIP ASSISTANCE

In cases where borrowers are undergoing genuine temporary hardship, Genworth will work with the lender to identify whether there is an opportunity to offer Hardship Assistance in an effort to resolve short term difficulties.

Genworth is able to offer a range of hardship solutions designed to temporarily ease financial stress.

Lenders should contact the Hardship Solutions Team on 1300 135 759 to discuss any hardship issues.

8.3.3 REVIEW AND INVESTIGATIONS

Genworth has introduced a range of risk and fraud detection strategies which identify potentially high risk LMI applications.

Genworth's Review and Investigations Team constantly monitor and review new LMI proposals that are flagged as high risk, and conduct a thorough investigation of income, employment and financial history.

Similar investigations are carried out for early term delinquencies (repayment default within the first 12 months of the loan) as well as any irregularities identified in subsequent LMI claims.

8.3.4 BORROWER SALE OF SECURITY

In some instances, borrowers may prefer to sell their home rather than face a mortgagee-in-possession (MIP) sale.

Genworth will work with the lender to try to achieve a better sale price than that expected through a MIP.

It will be necessary for the lender to obtain a new valuation of the security prior to the sale and to discuss any further requirements with Genworth.

8.3.5 TAKING POSSESSION OF SECURITY

In cases where it is determined that borrower is not eligible for Hardship Assistance, or the lender has been unable to contact the borrower, there may be no alternative for the lender than to seek possession of the security property with a view to recovery of the mortgage debt from the proceeds of sale.

If a claim under the LMI policy is likely, the lender will need to liaise closely with Genworth and the following requirements should be observed:

8.3.5.1 VALUATION

The lender will need to arrange a new or updated valuation of the security once possession has been obtained. In addition, a market appraisal from at least 2 local real estate agents must be obtained.

Copies of the valuation and market appraisals must be sent to Genworth.

8.3.5.2 MAINTENANCE AND PROTECTION OF PROPERTY

Upon taking possession of the security, the lender should ensure that the property is adequately secured and maintained in a neat and tidy order, although any expenditure should remain within the limit of Claimable Expenses issued by Genworth.

Any additional expense requirements must be approved by Genworth.

8.3.5.3 REPAIRS

In cases where the property has been damaged either by vandalism, neglect or general wear and tear, lenders are required to consult with Genworth to discuss what, if any, action should be taken to restore the property to a presentable order.

8.3.5.4 PRESENTATION

In preparation for sale, the lender should ensure that the property is clean internally, and the yard (if any) is neat and tidy.

8.3.6 SALE OF SECURITY

8.3.6.1 METHOD OF SALE

The best method of sale is usually determined by a number of factors, including the current state of the market, the location of the property, and the type of property.

Genworth would normally seek the opinion of local valuers and real estate agents before advising a preferred method of sale.

8.3.6.2 NEGOTIATION OF SALE PRICE

Subject to the current property valuation and the advice of local agents, Genworth will liaise with the lender to arrive at a realistic sale price or auction reserve price.

8.3.7 RECOVERY FROM:

8.3.7.1 GUARANTOR/S

In cases where a guarantee is taken in support of a mortgage loan, it is a standard requirement that upon default, repayment of the loan be sought from the guarantor prior to the sale of any security.

If unsuccessful and a loss occurs upon sale of the security, including that of the guarantor, lenders may be requested by Genworth to further pursue recovery from the guarantor.

8.3.7.2 OTHER COLLATERAL SECURITY

In the event of a loss from the sale of the principal security, lenders are expected to attempt to recover the loss from the disposal of any other collateral security held prior to lodging a claim under the LMI policy.

8.3.8 LODGEMENT OF CLAIM:

8.3.8.1 TIMING

The Genworth Master Policy requires that any claim for loss is lodged within 30 days from the loss date, i.e. within 30 days after the settlement of sale of the security.

8.3.8.2 DOCUMENTS REQUIRED

A claim under the LMI policy should be in the form approved by Genworth, and must be accompanied by any receipts for amounts expended in relation to the recovery of the debt.

Genworth will also require a copy of your loan file, including notes on arrears management and recovery of the insured loan (if not already provided) as well as a copy of the settlement distribution statement.

8.3.8.3 CLAIMABLE EXPENSES

Genworth has compiled a list of expenditure items in respect of debt management and recovery, and limits for each item that may be expended without our consent.

However, for amounts in excess of these limits, you will need to liaise with Genworth and obtain consent in writing.

The list of claimable expenses and limits is available in the Lender Resource Centre at www.genworth.com.au

8.4 POLICY CANCELLATIONS AND LOAN DISCHARGES

An individual LMI policy may be cancelled at any time by the Insured by written notification to Genworth. Once an insured loan is fully repaid the policy is no longer in force. Under the Master Policy you are obliged to provide a report of repaid insured loans no more frequently than quarterly.

Please refer to section Loan Discharges – Cancellations 7.2 of the Genworth Underwriting Policy for detailed information about Genworth's requirements.

8.5 DISPUTE RESOLUTION

Any questions or concerns regarding the LMI provided by Genworth should be addressed to your Sales Manager in the first instance.