SUBMISSION 37

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18 July 2008

Committee Secretary
Standing Committee on Economics
PO Box 6021
House of Representatives, Parliament House
CANBERRA ACT 2600

By email: economics.reps@aph.gov.au

Dear Secretary,

Genworth Financial Submission to the House of Representatives Standing Committee on Economics ('Committee') Inquiry Into Competition In the Banking & Non-Banking Sectors ('Inquiry')

Background

Genworth Financial is pleased to make this submission to the Inquiry. The focus of this submission is on the current state of competition in the residential mortgage market, barriers or impediments to competition in that market and some suggested policies to enhance further competition and product choice for consumers in that market.

Introduction

Our product, lender's mortgage insurance (LMI), reduces the risk of lending to home buyers, particularly higher risk borrowers such as first home buyers.

Genworth Financial is a leading provider of LMI in Australia and New Zealand. Together with our predecessor businesses (Housing Loans Insurance Corporation and GE Mortgage Insurance Services), we have insured over AUD $250 billion of residential mortgages in Australia since 1965. We have in excess of AUD $2.5 billion of capital invested in Australia and support over 200 lenders in the mortgage market. Approximately one in every five residential mortgages is insured by Genworth Financial in Australia.

For further information on Genworth Financial and LMI, we refer you to Attachment A.

Key Points

Our submission, a copy of which is enclosed with this letter, makes the following key points:

- The regional banks, building societies and credit unions and non-bank segments, supported by the LMI industry, played a critical role in providing increasing competition to the large banks over the past decade, primarily as a consequence of participants in these market segments being able to access cost effective wholesale funding from the capital markets via securitisation. This increased competition benefited consumers through (a) lower interest margins, (b) lower fees and (c) product innovations[1].

- Since August 2007, our data (summarised in the enclosed submission) demonstrates **a material shift in business away from the non-banks, regional banks, building societies and credit unions towards the large banks**.

- The decline in the competitive constraint provided by the smaller funders will affect consumers of residential loans by (a) decreasing access to competitive finance from a wide range of providers; (b) decreasing the availability of finance for all borrowers including first home buyers and other non-conforming borrowers who do not meet the bank's traditional lending criteria; and (c) reduced choice in terms of product and mortgage provider.

- Although these market disruptions have largely been driven by the liquidity crisis, we believe the new Basel II Framework, which became operational in Australia on 1 January 2008, will drive further competitive inequality and market distortions in the residential mortgage market.

- We support the following key policy initiatives to help address these issues:

    - The recommendation by the Senate Select Committee on Housing Affordability, namely that Treasury examine the international experience with a securitised mortgage scheme and its application to Australia with a view to determining whether a government-backed agency model, along the lines of Canada's Mortgage Bond Program, would be beneficial in the Australian market, be pursued.

    - APRA's Prudential Standards implementing the Basel II Framework in Australia be reviewed in order to address the apparent material inequality in regulatory capital treatment for residential mortgage loans written, on the one hand, by large banks accredited to use the Internal Ratings Based (IRB) approach and, on the other, by the remaining approved deposit taking institutions (ADIs) adopting the standardised approach to credit risk.

    - The Federal Government implement the proposed national credit and financial services regulatory framework in a manner which does not further erode competition in the residential mortgage market, yet

[1] Joint RBA-APRA Submission into the Inquiry into Home Lending Practices and Processes, August 2007.

which recognises the need to ensure that all key market participants and gaps and inconsistencies in industry standards and practices are adequately addressed in such a regulatory framework. Further, that the proposed national regulation of residential mortgage credit place significant focus in the area of mortgage fees, in order to ensure that this area does not become one in which the large banks seek to further exploit their competitive advantage.

Genworth Financial would be pleased to participate in any hearings conducted by the Committee in relation to this Inquiry.

Yours sincerely

Peter Hall
Country Executive and Director
Genworth Financial Mortgage Insurance Pty Limited

Genworth Financial Submission to the House of Representatives Standing Committee on Economics ('Committee') Inquiry Into Competition In the Banking & Non-Banking Sectors ('Inquiry')

1. EXECUTIVE SUMMARY

- In order to provide valuable input into an inquiry into competition in the banking and non-banking sectors, we must first appreciate the affected market(s). The residential mortgage sector can be said to form various sub-markets, primarily the (a) market for the supply of residential loans to borrowers ('lending market'); which is directly impacted by the (b) market for the supply of funding to lenders ('funding market').

- A competitive lending market benefits consumers by providing greater choice, product innovation, competitive service, lower prices and reduced fees. A competitive funding market encourages competition within the banking sector itself by allowing access to funding irrespective of the size of the balance sheet. A competitive lending and funding market is a prerequisite to helping Australia achieve its housing policy objectives and maintaining wealth in Australia, through ensuring there is sufficient liquidity to underpin house prices.

- Securitisation has enabled a more competitive lending and funding market by providing a source of funding for the non-bank sector, which do not have access to a retail deposit base, to participate in the residential mortgage sector. Combined with the broker distribution network, such non-bank lenders have been able to compete on a national basis providing an effective competitive constraint to the banking sector itself.

- The competitiveness of non-bank lenders and regional banks, building societies and credit unions has been rapidly eroded over the past 11 months because of their inability to source wholesale funding (either at all or at least as cheaply as the large banks) in the current conditions. Based on a review of Genworth Financial's own portfolio data, we observe we are insuring 15% fewer loans in comparison to the corresponding quarter in 2007. In particular: (a) The major bank segment has increased by 5%; (b) the regional bank segment has decreased by around 40%; and (c) the non-bank segment has decreased by around 65% from corresponding periods 12 months ago.

- We endorse the recommendation by the Senate Select Committee on Housing Affordability, namely that Treasury examine the international experience with a securitised mortgage scheme and its application to Australia with a view to determining whether a government-backed agency model, along the lines of Canada's Mortgage Bond Program, would be beneficial in the Australian market, be pursued.

- APRA's Prudential Standards implementing the Basel II Framework in Australia came into effect on 1 January 2008. IRB banks are required to hold substantially less capital than standardised ADIs under the new

Basel II Framework in respect of the same residential mortgage risk. Genworth Financial does not believe market participants have fully comprehended the extent to which the new Basel II Prudential Standards will favour the IRB or large banks. We therefore support a broader review of the Prudential Standards implementing the Basel II Framework in Australia, with a particular focus on the adequacy and robustness of the IRB banks internal models, and the inputs into such models, with respect to residential mortgage credit risk.

- In addition to the expected further increases in lending rates, the dominant lenders, in the absence of effective competition from the smaller players, will be free to increase the size and scope of their fees. We therefore support the proposed new national regulatory framework for credit and financial services addressing the issue of mortgage fees, along the lines of proposed reforms to section 72 of the UCCC, so as to encourage greater transparency and accountability in respect of unreasonable or unfair fees and charges.

- We encourage the Inquiry's solicitation of our further insights into these matters at any public hearing. We have an independent 'birds eye' view of the participants, practices and trends amongst the various players in the industry as an insurer of approximately 20% of all residential mortgages.

1 BRIEF HISTORY OF THE ROLE OF LMI IN AUSTRALIA

In order to fully understand the role LMI currently plays, and has historically played, in helping support competition in the home lending market in Australia, it is important to briefly explain the background to the introduction of LMI into Australia.

The Housing Loans Insurance Corporation (HLIC) was established by the Menzies Government in 1965 via an Act of the Commonwealth. HLIC (which is the predecessor to the LMI business currently owned by Genworth Financial today) had several missions. The most prominent was highlighted in the Second Reading of the HLIC Bill, that "*the scheme aims to assist people to obtain low-deposit loans to acquire homes by the offer to insure the repayment of loans made up to a high proportion of the valuation of the home.*" However, it is also mentioned in that speech (and in the 1966 Annual Report) that an additional goal is to draw additional funds into the mortgage finance sector, through both encouraging the development of a secondary market in mortgage loans (specifically sales of such loans, rather than actual securitisation) and through enhancing the credit-worthiness of institutional intermediaries such as building societies. **HLIC was therefore aiming itself at the two major flaws in the system at the time, the absence of high LVR first mortgages and the instability and limitations on the supply of funds.**

HLIC entered the market with one simple product applicable to a fairly wide range of housing. It provided 100% coverage of any shortfall between recoveries on defaulted loans and the sum of the outstanding principal, interest, penalties and expenses of sale. In other words, lenders were fully indemnified with respect to loss. This coverage was available for loans on residential owner-occupied properties anywhere in Australia, whether new or old, rural or urban, single-family, terrace, or "home-unit" (i.e., an apartment).

Permanent building societies were the main users of LMI for the first twenty years of HLIC's existence, reflecting their focus on home lending and, in particular, high LVR lending.

LMI has been a prime facilitator of the most important innovation to the housing loan industry since the liberalisation of the financial system in the 1980s – **the securitisation of mortgages.** Securitisation has improved the efficiency of the financial system, with banks able to better manage their balance sheets, and has lead to much greater competition in the housing loan market. All of this has benefited borrowers (via reduced margins and increased choice of loan provider and product), investors in residential mortgage backed securities (RMBS), and financial institutions

The credit enhancement provided by mortgage insurance was a critical element in obtaining investor acceptance to early RMBS issuances. All loans originated by the new non-bank lenders, who began to emerge in the early 1990's, carried LMI "in order to be securitisation ready" (and to minimize the size of the subordinate tranches). Data on RMBS issuance beginning in 1995 showed both HLIC and private insurance on most issues.

The use of LMI as the major form of credit enhancement continued after the sale of HLIC to GE in 1997. Prime RMBS usually – although not always – continue to benefit from LMI, either on the individual loans or on the whole pool of loans up to a certain maximum loss. Most transactions use senior-subordination as additional credit enhancement to boost the senior bonds to AAA. The senior tranche of a standard prime RMBS issue generally comprises 97-98 % of the total issue size while the subordinated tranche (the remaining 2-3 %) generally carries an AA rating.

2 CURRENT MARKETS TRENDS

2.1 Market Observations

The global liquidity crisis has forced up funding costs for home lenders and has triggered a dramatic rationalisation of the sector, with a number of the largest non-bank lenders leaving the market, or signalling they are about to leave. This has led to a substantial decrease in competition in the home lending market and an increase in interest rates to home loan borrowers and, potentially, fees charged by the remaining mortgage players.

The fundamental issue confronting the sector in 2008 is the tight liquidity and rising cost of wholesale funding for lenders arising from the massive losses on sub prime loans in the U.S. Funding in commercial markets in the U.S. and in most western economies has dried up as a result of the U.S. sub-prime related losses and the limited credit that is available has risen sharply in price.

Australian banks have lifted their lending rates by 40 to 50 basis points in recent months, in addition to increases in official cash rates by the Reserve Bank of Australia. Mortgage rates that were typically 6.75% in 2002, before the RBA began lifting its official cash rate, are now costing borrowers between 8.75% and 9.47%.

Since the credit tightening began in August 2007:

- The market in RMBS has collapsed
- RAMS Home Loans, one of the largest non-bank home lenders, has also collapsed and its new business is now being managed by Westpac
- Macquarie Group, one of the largest arrangers of RMBS financing in Australia, has effectively terminated its business in this field
- St George Bank, Australia's fifth largest home lender, has agreed to a takeover proposal from Westpac
- Wizard, like RAMs, a major supplier of non-bank home finance, is being sold by its owner, GE Capital
- Market share enjoyed by the Big Four banks and St George – which about to be acquired by Big Four bank Westpac - has risen to 88.5% from 79.5% over the last 12 months. Share held by non-banks, building societies and credit unions has fallen to 11.5% in April 2008 from 20.5% in April 2007[2]

In addition, Aussie Home Loans, the original promoter of RMBS financed mortgage lending in the mid-1990s, ceased to become an originator of mortgage lending in 2006 in favour of being a mortgage broker.

In a situation where a number of the major competitive foils to the large internally rated banks (IRBs) have left the industry or are being taken over, competition is far less robust than it was in the 1995-2007 period, when dozens of new lenders entered the market and forced profit margins amongst lenders from 450 basis points in 1994 to 190 basis points by the end of 2004.

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[2] (ABS Housing Finance, April 2008, Cat no 5609.0)

Margins are rising again and are approximately 220 basis points above the RBA's official cash rate of 7.25%. The likelihood is that, in the absence of competition from smaller players, the profit margins amongst the major banks will continue to increase unless fresh funding and new competition is encouraged to enter the market. It is quite possible that the home mortgage lending market will revert to where it was in the 1980s and early 1990s.

2.2 Genworth Financial Portfolio Observations

Based on Genworth Financial's experience in insuring between 4000 and 5000 residential mortgages across Australia every week for over 200 lenders, we are able to make the following observations based on a review of our portfolio data. These comparisons are between the second quarter 2007 (prior to liquidity crisis occurring in August 2007) and the second quarter 2008.

Overall Market

- Overall we are insuring about 15% fewer loans than we were in the corresponding quarter in 2007.

Segments

- The major bank segment is up 5% from the corresponding period 12 months ago.
- The regional bank segment is down about 40% from the corresponding period 12 months ago.
- The non-bank segment is down about 65% from the corresponding period 12 months ago.

Loan Purpose

- Loans for purchase or construction are down about 20% from the corresponding period 12 months ago. In contrast, loans for refinancing purposes are down only about 3% from the corresponding period 12 months ago.

Loan Types

- Standard (or full documentation) loans with loan-to-value ratio (LVRs) greater than 80% are down about 17% from the corresponding period 12 months ago. Of this segment, the largest decrease is in the 95% LVR band, which is down about 45% from the corresponding period by 12 months ago.
- Low Doc Loans in contrast are down about 2% from the corresponding period 12 months ago.

3 POTENTIAL POLICY INITIATIVES TO ENHANCE FURTHER COMPETIION AND PRODUCT CHOICE FOR CONSUEMRS

3.1 Government Agency Model

Genworth Financial is strongly supportive of recent initiatives by the Australian Securitisation Forum (ASF) to explore ideas to re-invigorate the Australian residential RMBS market. In particular, that a Government supported long term liquidity back up, in the form of an Agency model that is limited in size and similar to Canada's Mortgage Bond ('CMB') program, to help promote greater liquidity into the home mortgage market and to re-invigorate competition in the sector, be established. Without such intervention, it is likely that the competitive pressure imposed on the large banks by the non-bank sector and the smaller ADIs (regional banks, building societies and credit unions) will erode further and that consumers will face higher interest rates and charges and have less choice.

Genworth Financial therefore supports the recommendation by the Senate Select Committee on Housing Affordability, namely that Treasury examine the international experience with a securitised mortgage scheme and its application to Australia with a view to determining whether an Australian Mortgage Bond style program, along the lines of Canada's Mortgage Bond program, would be beneficial in the Australian market, be pursued. In light of recent media attention on US Fannie Mae and Freddie Mac, Genworth Financial would be happy to provide further information explaining why they are different to the CMB such that issues of concern surrounding Fannie Mae and Freddie Mac are not confused with the CMB, being a different model.

Genworth Financial has extensive experience of the CMB program, being one of two main LMI companies operating in that market (together with the Canadian Government Agency, the Canadian Mortgage Housing Corporation (CMHC), who also administers the CMB program. The CMB program was established in 1985 in order to:

- Create competition in the home lending market in Canada
- Lower mortgage rates to consumers
- Strengthen the solvency of the financial system; and
- Provide investors with high quality, government guaranteed mortgaged backed securities that are secured by property supported by mortgage insurance

The issuance of RMBS has fallen significantly over the last 12 months. In its latest Financial Stability Review, the RBA reported that the issuance of RMBS in Australia declined from $45 billion in the six months to 30 June 2007 to $6 billion in the second half of the year. The decline has continued in the first six months of 2008, with similar volumes to the last six months of 2007.

RMBS has been an important source of funding for the mortgage lending industry and has led to the formation of dozens of new participants in the mortgage market, forcing down margins and fees and leading to increased competition and greater access to mortgage funding for Australian home buyers.

The CMB program, started in Canada in 1987, has been successful for many reasons, but primarily because it is sponsored by the federal government and enjoys the Canadian Government's AAA rating to keep the cost of funds at the lowest cost possible level.

Briefly, banks and other approved lenders sell their mortgages to the Canada Housing Trust, which issues Canada Mortgage Bonds and sells these securities to investors, typically Canadian based superannuation funds.

Payment of interest and the eventual redemption of the bonds is guaranteed by the Canadian Government. The mortgages sold to the Canada Housing Trust must meet the following qualification criteria:

- First mortgage
- Owner-occupied
- Maximum of 40 years
- Mortgage insured by an approved mortgage insurer
- Not delinquent and fully funded
- Equal principal and interest
- Monthly payments, or less

Not all mortgages will satisfy these conditions, but sufficient numbers qualify to enable a continue stream of fresh liquidity from investors in the Canada Mortgage Bonds. As at September 2007, about $C141 billion in mortgages, or about 18% of Canadian mortgages, were covered by bonds issued in the program. Mortgage backed securities in Australia account for about $A173 billion in mortgages, so the figures are similar.

Because of the conservative nature of the loan eligibility criterion, the chance of default is low, but the possibility of resort to the Government's guarantee is even more remote because they are mortgage insured. An LMI provider stands between the borrower and the Government's guarantee.

Canada's Federal Government charges a fee for allowing the Canada Housing Trust to use the Government's AAA rating to issue the bonds. Canada's mortgage rates are currently 3-4% lower than Australia's.

The CMB model is a proven source of long-term, low cost funds that helps foster competition and consumer choice. The CMB model makes Canada less reliant on the offshore investors, who have effectively disappeared as a result of the liquidity crisis. The CMB program is supported by the large banks in Canada, who regard it as a ready source of relatively cheap funding.

A key component of the Canadian model is the requirement that all mortgages in Canada of 80% or more loan-to-valuation are required to have mortgage insurance.

Genworth Financial asks the Inquiry to give serious consideration to Canada's Mortgage Bond program as being a desired option to free up additional funds for, and increase competition in, Australia's mortgage market.

3.2 Basel II

In a 2005 submission to the Australian Prudential Regulation Authority (APRA), the Insurance Council of Australia, on behalf of its LMI Industry member companies, made the following comments:

> *"ICA is concerned that the different capital requirements between ADIs using the IRB [internal ratings based] model and SA [standardised] ADIs using the SA model for credit risk in residential mortgages could distort the competitive environment between IRB banks and SA banks in a way that may lead to an unlevel playing field.*
>
> *This distortion of the competitive environment will change the market dynamics and may generate a concentration of risk in specific sectors (amongst lender segments, types of loans and geography) and potentially destabilise the broader market.*
>
> *ICA believes this will have significant implications for the residential lending and housing markets and as such broader financial markets.*

APRA's Prudential Standards implementing the Basel II Framework in Australia came into effect on 1 January 2008. Genworth Financial is strongly of the view that these Prudential Standards will further tilt the competitive landscape in the residential mortgage lending industry in the medium to long-term, given the material differences in regulatory capital treatment for residential mortgage loans written, on the one hand, by large banks accredited to use the IRB approach and, on the other, by the remaining ADIs adopting the standardised approach to credit risk. IRB banks are required to hold substantially less capital than standardised ADIs under the new Basel II Framework in respect of the same residential mortgage risk. We do not believe market participants have fully comprehended the extent to which the new Basel II Prudential Standards will favour the IRB or large banks.

We therefore support a broader review of the Prudential Standards implementing the Basel II Framework in Australia, with a particular focus on the adequacy and robustness of the IRB banks internal models, and the inputs into such models, with respect to residential mortgage credit risk.

3.3 Mortgage Fees

We also believe that due to the sensitivity of headline interest rates and comparative rates to attracting new business, the area of mortgage fees and charges also requires focus by the Inquiry. In addition to the expected further increases in lending rates, the dominant lenders, in the absence of competition, will be free to increase the size and scope of their fees. Genworth Financial anticipates that in the absence of any degree of meaningful competition from the regional banks, building societies, credit unions and non-banks, the large banks will seek to increase existing mortgage fees and look for opportunities to levy fresh fees.

We therefore support the proposed new national regulatory framework for credit and financial services addressing the issue of mortgage fees, along the lines of proposed reforms to section 72 of the UCCC, which proposed lowering the threshold of being able to challenge a fee (from 'unconscionable' to 'unreasonable' or 'unfair'), and provide greater entitlements to Government Agencies to challenge such fees on behalf of consumers, so as to encourage greater transparency and accountability in respect of unreasonable or unfair fees and charges.

4. CONCLUSION

We encourage the Inquiry's solicitation of our further insights into these matters at any public hearing for the following reasons:

Our unique independent position in the industry confers an independent 'birds eye' view of the participants, practices and trends amongst the various players in the industry. As an insurer of approximately 20% of all residential mortgages, we are a significant player in the residential mortgage industry. As such, we are in a position to observe, independently comment on and influence industry trends, practices and standards.

Attachment A

Genworth Financial – Introduction

Genworth Financial, Inc. (NYSE: GNW) is a leading public Fortune 500 global financial security company. Genworth Financial has $114 billion in assets and employs approximately 7,000 people in 25 countries. Its products and services help meet the investment, protection, retirement and lifestyle needs of over 15 million customers. Genworth Financial operates through three segments: Retirement and Protection, International and U.S. Mortgage Insurance. Its products and services are offered through financial intermediaries, advisors, independent distributors and sales specialists. Genworth Financial, which traces its roots back to 1871, became a public company in 2004 and is headquartered in Richmond, Virginia.

Genworth Financial is a leading provider of mortgage insurance in the United States, Canada, Australia, New Zealand, Mexico, Japan, Korea and multiple European countries. We are the largest private mortgage insurer in most of our international markets. We also provide mortgage insurance on a structured, or bulk, basis, which aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.

Internationally, Genworth Financial is a leading financial security company with strong and expanding global operations, serving more than 15 million customers in over 25 countries. Genworth Financial currently offers mortgage insurance in over 15 countries, including the U.S, Canada, Australia, Japan, Mexico, the U.K and continental Europe.

Genworth Financial insures around 5,000 residential mortgages a week across Australia. With over 40 years of data and trends concerning the residential property market in Australia, Genworth Financial is in a unique position to provide commentary and insights on home lending practices and processes. The first mortgage insurer to establish operations in Australia, Genworth Financial has built a reputation for being experts in understanding the evolving market. We pride ourselves on working with industry to overcome challenges as well as developing opportunities for sustained growth and increased home ownership across the country.

Lender's Mortgage Insurance – Overview

Lender's mortgage insurance ('LMI') covers lenders in the event a property owner(s) defaults on its residential mortgage. If the property is subsequently sold, and the amount from the sale is insufficient to repay the loan in full, this form of insurance will cover the lender for the shortfall. LMI was introduced by the Federal Government in 1965 to facilitate home ownership and has since assisted over 2 million Australians to purchase a home, notwithstanding the lack of a sufficient deposit.

Before the introduction of LMI in Australia, borrowers in a regulated bank interest rate environment were generally required to provide a deposit equal to 20-30% of the value of the property. With the introduction of LMI, this risk associated with lending was passed on to the mortgage insurer. LMI gives lenders the confidence and greater incentives to approve loans for a higher percentage of borrowers with a smaller deposit and enables them to lend to a broader range of consumers. The mortgage insurer then insurers the credit risk of the credit provider, thus promoting home ownership in Australia. LMI is designed to prudently enable lenders to expand their lending boundaries to lend to a broader selection of individuals.

LMI is taken out by banks, building societies, credit unions and non-bank lenders. 2006 market data[3] evidences housing originations at $241.3 billion with $94.5 billion of this incorporating mortgage insurance. Authorised deposit taking institutions ('ADIs') generally acquire LMI on high loan-to-value ratio ('LVR') mortgages, typically over 80% and up to 97% LVR. As lenders operate in a very competitive environment, they ideally opt to take out LMI on these loans rather than increasing interest rates, and let the mortgage insurer accept the higher risk of default. ADIs currently obtain a regulatory capital concession for obtaining LMI in respect of high LVR standard loans and non-standard mortgages (generally defined as low-doc and no-doc loans). Non-ADIs also use LMI quite extensively to credit enhance RMBS issues, thus ensuring that they obtain cost effective funding in the capital markets to fund their growing mortgage lending operations.

LMI helps to promote financial system and soundness. LMI providers are regulated by the Australian Prudential Regulation Authority ('APRA') as mono-line providers. As such, LMI is the only line of insurance we are authorised by APRA to issue.

This means that LMI providers have an extremely focused approach to risk management, as their capital is at risk in relation to high loan-to-value ratio mortgages. This risk management discipline helps minimise extreme divergences in the economic cycle and introduces third party discipline to both underwriting and portfolio and arrears management.

Credit Standards Incentive for Providers of LMI

As a LMI provider, Genworth Financial is an instrumental 'guardian' to the mortgage industry in the setting of credit standards and best practices. Genworth Financial declines between 5 – 10% of applications for LMI to a loan proposal submitted to it each year. As an insurer of mortgage credit, we have a strong incentive in ensuring loan applications are within agreed credit policies and the industry maintains high credit standards.

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[3] Australian Bureau of Statistics for total market figures. LMI figure based on reported results of the two principal mortgage insurers in the Australian market (Genworth Financial & PMI) plus a 15% assumption for captives.