

## ANSWERS TO COMMONLY ASKED UNDERWRITING QUESTIONS

### GENWORTH FINANCIAL CANADA

As a mortgage insurance innovator, Genworth promotes underwriting flexibility to help our lender partners grow their business. Genworth underwriting offers:

- No automated declines
- Timely callbacks and underwriting availability
- Escalation process
- Exceptions and stretches are available for consideration

#### *Alimony & Child Support*

100% may be used provided income represents less than 30% of total income and borrower has demonstrated receipt, through a T1 General, for a minimum of 1 year. Otherwise a maximum of 50% will be used.

#### *Bankruptcy*

An applicant with a prior bankruptcy will be considered for mortgage insurance, up to a maximum LTV ratio of 95%, provided that the bankruptcy has been discharged for at least 2 years and they have at least 2 years of satisfactory re-established credit. Employment and income should be stable and debt ratios must be in line. Previous bankrupt borrowers are ineligible for the following products; Cashback, Alt A, Vacation property and Refinance applications. Borrowers who have had a bankruptcy in the last 7 years that resulted in a loss on debts secured by real estate are ineligible for mortgage insurance.

#### *Car Allowance*

100% may be used to offset a car loan or lease payment provided that:

- the car allowance is a taxable benefit
- the applicant has been receiving the car allowance for a minimum of 1 year

#### *Child Tax Benefit/Family Allowance*

Income may be used for qualification purposes provided applicants meet the following criteria:

- 100% may be used for the applicant's children who are 18 years old and under
- not permitted to be used for applicant's children who are older than 18 years

The lender will be required to have verification of the child's age and income stream in the file. Age and income stream can be verified with the following documentation:

- Personal income tax returns
- Copy of birth certificate
- Government slip
- Bank statement showing automatic deposit

#### *Foster Care Income*

Income will be considered subject to the following requirements:

- The caregivers must have at least 2 years experience as foster parents
- Income letter or contract from the ministry and pay stub are the only acceptable forms of proof of income
- Letter from Social Services confirming tenure and current status
- Maximum number of children should not exceed 6 (including any of their own children).
- The applicants must live on site
- If foster care income accounts for more than 50% of applicants' total income, we will require a minimum of 10% down payment
- Maximum LTV is 95%

# Answers to Commonly Asked Underwriting Questions

<i>Gifted Down Payments</i>	Gifted down payments from immediate family members can be used provided they are properly verified, are non-repayable and all other characteristics of the borrower are acceptable. Gifted down payments are not required to be on deposit until time of closing.
<i>Guarantor Income</i>	If the guarantor occupies the property, the income will be considered for qualification purposes provided the guarantor is a direct family member. If the guarantor does not reside in the property, Genworth will consider income for the GDS/TDS calculation provided the guarantor is a direct family member and resides in the region where the property is located.
<i>Immigrants to Canada</i>	Qualified homebuyers who have immigrated to Canada, or have been transferred to Canada by an employer can qualify for a mortgage with as little as 5% down payment using Genworth's New To Canada program. Applicants must have immigrated and/or relocated to Canada in the past 36 months, be employed for a minimum of 3 months in Canada, have a valid work visa or obtained landed immigrant status as minimum qualifications for the program. Please refer to the New To Canada Program Overview at <a href="http://www.genworth.ca">www.genworth.ca</a> for complete details.
<i>Parental Leave</i>	Full salary is acceptable for qualification purposes. A letter from the employer is required indicating the position the person is returning to, the return date, and the salary/income upon return.
<i>Part-time</i>	100% of permanent part-time income will be considered. Up to 100% of a second job income will be considered if borrower can demonstrate a minimum 2-year history supported by income tax assessments or T4's.
<i>Overtime</i>	100% may be used provided income represents less than 25% of total income and borrower has demonstrated receipt for a 2-year period.
<i>Qualifying Rates</i>	For all applications, the qualifying interest rate is the greater of the 3-year posted rate or the contract rate for terms less than 3 years: for terms of three years or more, the contract rate is used.
<i>Rental Income -Owner-occupied Duplex, Triplex and Fourplex</i>	<p>Rental Income -Owner-occupied Duplex, Triplex and Fourplex</p> <p>Genworth will accept 50% of gross rental income for qualification purposes. This income is to be added to the applicant's gross monthly income. When accepting rental income, only the TDS will be calculated as follows:</p> $\frac{\text{Principle and Interest} + \text{Taxes} + \text{Outstanding Debt}}{\text{Gross employment income} + 50\% \text{ of gross rental income}}$ <p>Genworth will also recognize 30% of rental income as an offset against housing costs (P.I.T.) provided that one unit is owner-occupied. Maximum LTV ratio for 2 units is 95% and for 3 and 4 units is 90%</p>
<i>Non-Owner Occupied Rental Properties</i>	When a borrower is purchasing a property, but currently owns other rental properties, the rental income needs to be confirmed with most recent T1- Generals. If there is a rental surplus, this amount can be added under "other income". If there is a shortfall, this amount must be included in "other obligations" or TDS. If rental income cannot be confirmed via T1 Generals, the full PIT must be included in TDS and 50% of gross rental income can be added to other income. Gross rental income will need to be confirmed with lease agreements, or fair market rents if lease agreement not available.
<i>Seasonal Workers</i>	100% of Employment Insurance income for seasonal workers will be considered provided the lender has verified that the applicant has been employed for at least 3 years, the income is regular, recurring and continuous and 70% of the income comes from the salary paid by the company and no more than 30% comes from the employment insurance. Income is calculated based on the lesser of the 3-year average income or the last year's income. The income must be validated with income tax returns or notice of assessments.

# Answers to Commonly Asked Underwriting Questions

## *Self-Employment*

Any individual who has ownership interest in a company and is paid based on company performance, or whose ownership interest is 25% or greater, is considered to be self-employed. Commissioned borrowers and other owner/operator situations, such as taxi drivers and truck drivers are also considered self-employed.

## *Self-Employed Provable Income*

Income must be verified by 2-year's financial statements or tax assessments. Genworth permits lenders to gross-up the total income (line 150 Revenue Canada Notice of Assessment) by up to 15%. Income gross-up is subject to lender guidelines. The lower of the average net income for the previous 2 years or the most recent year are to be used for qualification purposes.

## *Self-Employed Stated Income*

Self employed borrowers and commissioned sales people who cannot provide traditional income verification may qualify for a low down payment mortgage for purchase or refinance through Genworth's Business For Self (Alt A.) Program. This program recommends a minimum documented self-employed tenure of 2 continuous years and minimum credit requirements apply. Please refer to our Genworth Business For Self (Alt A) Program Overview for complete guidelines at [www.genworth.ca](http://www.genworth.ca)

## *Treatment of Pension and Disability Non-Taxable Income / Gross Income*

For borrowers whose income is not taxed at the source, income may be grossed-up on a two-tiered approach:

- Applicants with non-taxable income less than \$30,000, are eligible to gross-up their income by 25%
- Applicants with non-taxable income greater than \$30,000, are eligible to gross-up their income by 35%

In situations where there is disability income, the income must be long-term and guaranteed for the life of the applicant.

## *Treatment of U.S. Income*

U.S. income will be considered at the current conversion rate. This applies to borrowers living in Canada and paid in U.S. funds.

*For questions concerning our products and services, please contact our National Underwriting Centre at:  
1 800-511.8888*

*Visit our web site at:  
[www.genworth.ca](http://www.genworth.ca)*