

Impact from floods in Queensland, northern NSW, Victoria and Tasmania - Frequently Asked Questions

To better assist our customers we have created a list of Frequently Asked Questions on how to make an application for LMI with Genworth Financial (Genworth) where a property or borrower is in a flood affected area.

We have endeavoured to answer the most Frequently Asked Questions below but if the parameters of your query fall outside these responses, please contact your Genworth Sales Representative for more information.

Frequently Asked Questions

We communicated in an email to customers on 14 January 2011 that additional information is required from customers for all proposals that involve security located in flood affected areas or where a borrower(s) employment may be affected by flooding. Genworth is asking the customer to ascertain whether the security property is affected by flooding (and if so to what extent), and whether the borrower's employment and income are adversely impacted.

1. What is the process?

NEW LMI PROPOSALS AFFECTED BY FLOOD

a. For all new proposals where the proposed security **is damaged** by the floods:

- The valuation needs to include an outline of the damage to the property, an estimate of the cost of repairs by a builder and any value or marketability concerns.
- The lender needs to advise whether the owner's or borrower's general insurance will cover repairs/damage to property. Furthermore, the lender needs to advise Genworth in writing (by fax or email) if they have confirmed that the property is adequately insured and that repairs will be made. As a minimum, the lender can make this confirmation verbally with the borrower.
- All proposals need to be submitted to Genworth for approval.

b. For all new proposals where the borrower's employment and income **is** affected by the floods:

- Proposals need to be assessed or reassessed by Genworth with new employment and

income details. If income has changed due to the change in employment, the lender needs to **confirm with the employer** the details of the new income. (Note:It may not be possible to obtain an updated letter of employment or new pay slips, and as such, in these instances, verbal confirmation from the employer is acceptable for the reassessment)

- All proposals need to be submitted to Genworth for approval.

FLOOD AFFECTED EXISTING LMI APPROVED LOANS WHICH HAVE NOT YET SETTLED

The duty of disclosure remains where settlement of a loan has not yet occurred. Full details of the duty of disclosure are contained in the LMI proposal form and in each customer's Master Policy.

a. Where settlement of an existing LMI approved loan has not occurred and the proposed security **is damaged** by the floods:

- An updated valuation needs to be provided outlining the damage to the property, an estimate of the cost of repairs by a builder and any value or marketability concerns.
- The lender needs to advise whether the owner's or borrower's general insurance will cover repairs/damage to property. The lender needs to advise Genworth in writing (by fax or email) if they have confirmed that the property is adequately insured and that repairs will be effected. As a minimum, verbal confirmation of the reassessment is acceptable.
- All proposals must be resubmitted to Genworth for approval.

b. Where settlement of an existing LMI approved loan has not yet occurred, and the borrower's employment and income **is affected** by the floods:

- Proposals need to be reassessed by Genworth with new employment and income details. If income has changed due to the change in employment, the lender needs to **confirm with the employer** the details of the new income. It may not be possible to obtain an updated letter of employment or new pay slips, and as such, in these instances, verbal confirmation from the employer is acceptable.
- All proposals need to be resubmitted to Genworth for approval.

PROPOSALS NOT AFFECTED BY FLOOD

a. New proposals where the proposed security is located in a flood affected area but the property itself is **not damaged**:

- The lender needs to obtain confirmation that the security property is **not damaged** by the flood. The lender needs to advise Genworth in writing (by fax or email) that they have confirmed the property is not damaged. As a minimum, the lender can make this confirmation verbally with the borrower.

b. If the proposal has already been approved by Genworth, Genworth requests the lender to verify that the security, employment and income have not been adversely affected and to keep a written record of these details on file for future reference.

2. Will Genworth underwriting policy be amended in regard to flooding and acceptable

frequency of flood events?

We are still analysing the full impact of the current situation and analysis will continue as new information regarding impacts comes to hand. As such, it is too soon to determine what changes, if any, may be required.

3. What are Genworth's requirements in regard to construction loans when building has already commenced?

If flood insurance cover is in place and construction can be completed according to the terms of the building contract, the existing Genworth construction policy should be followed. If, however, as a result of the flooding, cost overruns are anticipated in order to complete construction, customers should contact their Genworth Sales Representative. In some circumstances we may be able to extend the cover.

4. Will Genworth consider a top-up loan for a flood affected security property?

Yes – we will consider top-up loans to assist borrowers in repairing damage to their properties, subject to standard Genworth policy. We would require the valuation to be provided on an "as if complete" basis and that any funds advanced would be used to repair the property concerned and be controlled by the lender.

5. What is Genworth's position in situations where the borrower has an unconditional approval and is required to settle on a flood affected security?

We will assess each matter on a case by case basis so please contact your Genworth Sales Representative to discuss this issue. We do, however, strongly recommend that the borrower(s) obtain legal advice as to their entitlements and obligations under the contract for sale.

6. Does Genworth provide insurance cover for Physical Damage, including flood damage?

Genworth does not cover physical damage to property. This includes flood damage. Customers should refer to their Master Policy for further detail. The property insurance of the borrower or the mortgagee-in-possession is the relevant insurance policy by which to assess flood cover.

7. Genworth has published a list of flood affected locations. Can this list be relied upon definitively to determine whether security properties have been impacted?

While the utmost care has been taken with the preparation of the Flood Affected Location list, we cannot guarantee that this list covers all impacted areas.

Information has been compiled from a number of sources and has been published to assist customers assess their exposure in relation to the current situation. Given the extent of the devastation and that even at street level, some properties may have suffered extensive damage and others may not be impacted, it is important that lenders also make their own investigations.

8. Who should I contact if I have a question?

Please contact your Genworth Sales Representative if you have any queries that fall outside the questions answered here.

9. Where can I get a copy of the flood affected locations list?

The flood affected locations list is now available on the Genworth website. This list also includes locations impacted by cyclone Yasi and the recent bushfires in Western Australia.

10. What is the Borrower Relief Package Genworth is offering?

As per our Borrower Relief Package parameters, the following relief is available to borrowers experiencing genuine hardship:

- Up to 3 months interest capitalisation
- Loans will not be regarded as being in arrears during this period
- The term of the loan may be increased or repayments re-calculated over the existing remaining term.

Further assistance may be available subject to individual circumstances.

If you have any queries about our Borrower Relief Package, please do not hesitate to contact our Hardship Solutions Team at hardship@genworth.com or on Fax: 1300 135 759, or your Genworth Sales Manager.

Yours sincerely,



Adrienne Church
Sales Leader

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