

Genworth welcomes Federal Government moves for more homebuyer education about home loans with lenders mortgage insurance

SYDNEY, AUSTRALIA Sunday 21 August 2011: Genworth, Australia's leading mortgage insurer, today welcomed the Federal Government's announcement on its bank competition reform package relating to a mandatory mortgage fact sheet about Lenders Mortgage Insurance for homebuyers.

Genworth supports the move, which will help home buyers compare "apples with apples" and get the right deal for them plus help consumers better understand the costs and benefits of Lenders Mortgage Insurance when taking out a home loan.

The Government's move follows initiatives to create more competition in the mortgage market and now mandates increased disclosure and transparency for homebuyers who may require Lenders Mortgage Insurance. Genworth's view is that the mandatory fact sheet could be similar to the Government's Key Fact Sheet for home loans, and could be handed out by lenders just prior to borrowers signing their home loan contract.

Genworth CEO and President Ellie Comerford said Genworth has been working with key stakeholders such as the Federal Government, lenders, the Insurance Council of Australia and all political parties on a proposed Lenders Mortgage Insurance fact sheet for some time.

"Genworth believes it is important that homebuyers know how Lenders Mortgage Insurance works and the benefits it offers, plus their potential rights in relation to existing refund schedules if they switch home loans. Genworth supports this move to improve disclosure and transparency for homebuyers. We also support Treasury's findings and the Government's decision to rule out the introduction of a scheme to allow the transfer of Lenders Mortgage Insurance between lenders", Comerford said.

Lenders Mortgage Insurance is critical in helping make homes more affordable. It enables home ownership for Australians with less than a 20% deposit but who have a capacity to meet their mortgage repayments. About 90% of loans to first homebuyers are supported by Lenders Mortgage Insurance, allowing them to enter the housing market sooner and assisting with housing affordability.

Genworth wants to ensure consumers:

- Are aware of LMI and the reason for the lender requiring mortgage insurance;
- Are aware of the costing and how LMI reduces the interest rate borrowers with a deposit less than 20% would otherwise have to pay;
- Are aware Payment is most often spread evenly over the entire term of the loan and often capitalised into the loan for as little as the cost of a cup of coffee a day;

- Know and avail themselves, where applicable, of existing refund programs already offered by lenders in the first two years; and
- Know that some lenders have chosen to provide a discounted mortgage insurance cost to borrowers at the outset of the loan in lieu of refunds.

“Recent consumer focus group research commissioned by Genworth and conducted by UMR Research found overall most consumers consider Lenders Mortgage Insurance important as it helps Australians get onto the property ladder sooner. Homebuyers and owners also like that Lenders Mortgage Insurance has been in Australia since 1965, and was introduced as a Government policy and run as a Government owned business for many years – this reinforces it as an integral part of the home loan market.

“Consumers also valued that LMI is a community priced product, as opposed to a risk based priced one (which could negatively impact those in less affluent areas). Community pricing means that borrowers who take out loans (in the same loan to value category) pay the same for Lenders Mortgage Insurance whether they live in for example Western Sydney, Brisbane or regional Australia.

“Genworth looks forward to continuing its positive dialogue with the Gillard Government, Coalition, Greens and Independents on mortgage insurance and in particular to provide input during the consultation process for drafting the Government’s mandatory fact sheet about Lenders Mortgage Insurance”, Comerford said.

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About Genworth

As a leading provider of Lenders Mortgage Insurance (LMI) in Australia, Genworth seeks to make homeownership more accessible to borrowers. With more than 45 years of residential property market data and trends, and experience insuring over 1900 residential mortgages every week, Genworth has built a reputation for providing unique insights into Australia’s evolving mortgage market.

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About Lenders Mortgage Insurance (LMI)

LMI is one of the most popular ways to achieve the dream of home ownership sooner for borrowers that do not have a large deposit. Many banks and lending institutions require borrowers to contribute a 20% deposit before they will agree to provide a loan. LMI protects lenders against a loss should a borrower default on their home loan. If the security property is required to be sold as a result of the default, the net proceeds of the sale may not always cover the full balance outstanding on the loan. By using LMI, lenders are able to pass on this risk to a mortgage insurer such as Genworth, which enables them to offer the same loan amount but require less deposit.