RICHES TO RAGS? SUMMARY OF POSSIBLE RISKS FOR GENWORTH MI CANADA, INC.

(*BankNews – Mark Sibthorpe)* – Risk

Yesterday, Genworth had its Q4 2014 earnings call. Genworth own about 30% of the mortgage default insurance in Canada. Not surprisingly, the earnings call became focussed on Alberta; and for good reason, with 20% of its outstanding insured mortgage balance in Alberta, sensitivity to the oil shock and how Genworth plan to manage related risks were discussed in detail.

Alarm bells were not ringing at Genworth, which played down the market risk posed by Alberta. Genworth management conveyed confidence, the strategy is to divide the province into "20 to 25 segments" and proactively monitor these regions for shock. Typically defaults occur about 6 months after employments loss and the strategy is that proactive intervention could head off issues before they become critical.

The message being that adequate measures are in place and also that the likelihood of a collapse is not anticipated by management. A stance that is contrary to the view held by Andrew Leach, outlined in a recent Maclean's article. Leach says that, "government budgets will show the full impact of the oil crash in the next couple of months, and the picture won't be pretty."

Analysis of industry news and general trends in the industry also indicate that oil prices will remain low for a variety of reason. For example, one of the indicators that foreshadow problems for Alberta is the increase in supply by non-traditional producers. The charts below demonstrate the growth in world oil supply. This is a result of global energy policies dating back decades.

Figure 2.1 World oil supply capacity growth

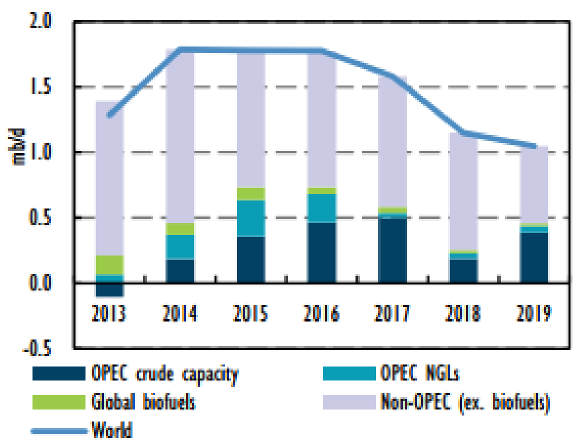
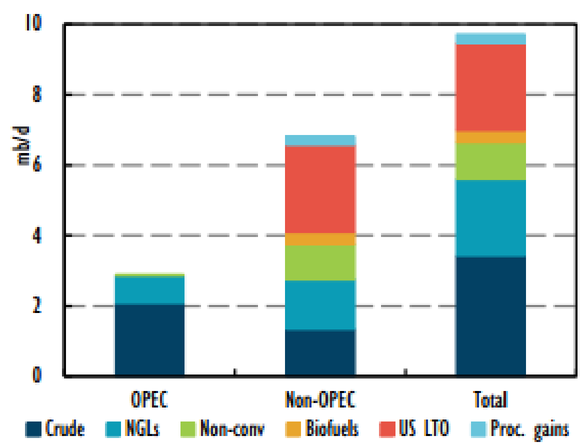


Figure 2.2 Global liquids growth 2013-19



Another risk that was not discussed on the call is the possibility of huge job losses for Alberta. Genworth anticipate modest job losses. They also forecast a $60 barrel market. The problem with these assumptions is that the data they use assumes the Canadian market is uniform. According to CIBC Alberta will lose 55,000 jobs in the coming months. Therefore, Canada's unemployment rate may have modest losses, but Alberta could be much worse. For example, a CBC article described the 2008 meltdown as the cause for Alberta's unemployment to rise from 3.3 per cent in 2008 to 7.0 per cent in May 2009. The article, supported by other industry analysts, also discusses the possibility of a $20 barrel.

Given the fact that the CMHC is tightening mortgage insurance rules, fired 215 employees December 15th, and are underwriting less mortgage insurance, a surprising revelation made on the earnings call, and in previous commentary, is the fact that Genworth is following its "own tact," which means they plan to grow into 2015.

To conclude, according to its financial statements, Genworth had 899 delinquencies in Alberta in 2014. These, along with those from other provinces resulted in a Canadian loss ratio of 20% or $107 million on the year. Currently, management are projecting a 2015 loss ratio between 20 to 30%. Obviously the concern, based on the indicators discussed, is that Genworth's projections are modelled on a $60 barrel and moderate unemployment.

The following is an aggregated series of related articles that have been published over the past two years.

Note that generally the articles and reports are organizes chronologically, however, various reports and commentary have been placed upfront because they provide valuable meaning and market insight.

MEDIUM TERM MARKET REPORT 2014

International Energy Agency

Total global supply capacity is forecast to increase by a robust 9 mb/d to 105 mb/d by 2019 from 2013 levels, rising nearly 1.5 mb/d per year on average. This is in line with the rate of growth experienced in 2013 and closely shadows demand. US light tight oil (LTO) production continues to account for much of the growth (27% of the aggregate gain over the forecast period), while OPEC contributes a smaller portion, at 21%. By 2019, North America will account for 20% of global production capacity, up from 18% in 2013, while OPEC's share inches down to 42%, from 43%.

Figure 2.1 World oil supply capacity growth

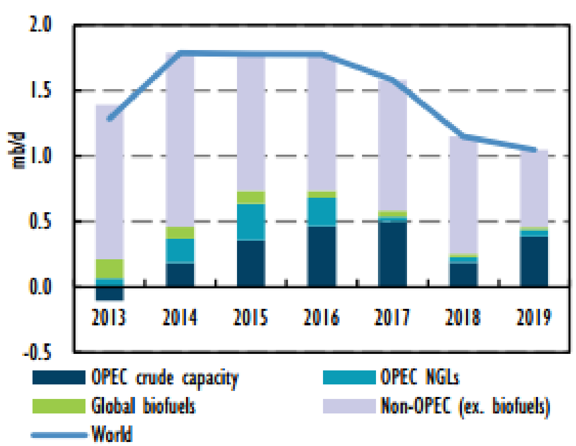
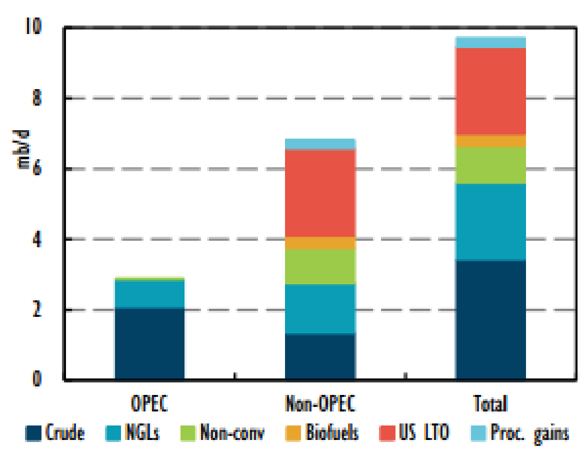


Figure 2.2 Global liquids growth 2013-19



WHY THIS OIL CRASH COULD BE WORSE FOR ALBERTA THAN THE ONE IN 2008

(*Macleans – Andrew Leach)* – Risk – Jan 28, 2015

Corporate balance sheets and government budgets will show the full impact of the oil crash in the next couple of months, and the picture won't be pretty

HOW BAD WILL ALBERTA'S JOB MARKET GET? DEPENDS WHO YOU ASK

(*CBC)* – Risk – Feb 10, 2015

CIBC says Alberta will lose 55,000 jobs in the coming months

The employment numbers may not reflect it, but Alberta's job market is shaky. Energy companies are cutting staff, either publicly, in the case of Suncor and Shell, or more privately such as recent moves by Husky and Cenovus.

But, we haven't seen the kinds of layoffs that lead to a noticeable uptick in the province's unemployment rate. Yet.

That's about to change according to forecasts from private sector economists outside the province. Benjamin Tal at the CIBC says, conservatively, Alberta's unemployment rate will increase from 4.5 per cent last month to 6.8 per cent by the end of the year. A 50-per cent increase — 55,000 jobs.

If you look more deeply at the numbers, there were losses in the oil patch — 1,000 jobs cut between December and January.

As well, there were 3,700 fewer jobs in the category that covers engineers, geologists and other skilled technical professions.

Those losses were offset by gains in health care, manufacturing and public administration.

Compare this to the last collapse in oil prices in 2008.

During that meltdown, Alberta's unemployment rate more than doubled from 3.3 per cent in December 2008 to 7.0 per cent in May 2009. That does Make Tal's forecast look conservative indeed.

Looking again at the 2008/2009 unemployment rate, it stayed about 7 per cent for just six months before heading back down.

In that cycle, oil hit bottom in February 2009, with an average price of US$39.09 a barrel. By December of that year, it hit US$74.

Oil at $20 a barrel

Which brings us back to the eternal question. Where is oil going? Will it stabilize at $60 a barrel, as the Conference Board of Canada suggests. Or $20 a barrel, as Citibank forecast this week. Only the brave are making a firm guess on crude, certainly Tal isn't .

"You tell me where oil prices go and I'll tell you where Alberta will go."

MINIMUM CAPITAL TEST (MCT) GUIDELINES – OSFI – Jan 1, 2015

Details of Interim Capital Requirements for Mortgage Insurance Companies

THE RESIDENTIAL MORTGAGE MARKET IN CANADA: A PRIMER

(*BoC – Allan Crawford, Cesaire Meh, Jie Zhou)* – Structural Issues Dec 2013

The system of housing finance in Canada is composed of three sets of institutions: mortgage originators, mortgage insurers and the suppliers of funding. We begin by discussing the interactions among these groups, as well as the role of the policy framework.

Federally regulated lenders and most provincially regulated financial institutions are required by law to purchase insurance for mortgages that exceed 80 per cent of the value of the residential property (ie , with a down payment that is less than 20 per cent of the purchase price) Premiums are determined by the insurers and vary with the LtV ratio of the mortgage the cost of the premium is typically passed on to the borrower Subject to allocation limits, lenders can also purchase insurance for portfolios of previously uninsured low-ratio mortgages Approved mortgage insurers are designated by the Minister of Finance after consulting with the Office of the Superintendent of Financial Institutions (OSFI) the largest insurer, Canada Mortgage and Housing Corporation (CMHC), is a federal government agency that is operated on a commercial basis Under legislation enacted in 2012, OSFI is responsible for supervising CMHC's mortgage-insurance and securitization programs 1 CMHC-insured mortgages have an explicit government guarantee that provides 100 per cent coverage on net claims by the lender in the event of the insurer's insolvency two private insurers, which account for about 25 per cent of outstanding mortgage insurance, are regulated and supervised by OSFI Since a lender holding government-backed insured mortgages benefits from the zero risk weight of these mortgages for bank capital purposes, the obligations of private insurers also have a government guarantee (covering 90 per cent of the original mortgage) to enable them to compete with CMHC Private insurers pay a premium to the government for these guarantees the total value of mortgage insurance from both public and private insurers must not exceed maximum amounts set by the federal government Currently, the limits are $600 billion for CMHC-insured mortgages and $300 billion for private mortgage insurers

NUMBER OF RESIDENTIAL MORTGAGES IN ARREARS

(*CBA)* – Risk – Last published Nov 2014

Recent data

Canada .28%

Atlantic .54%

Quebec .34%

Ontario .17%

Manitoba .23%

Saskatchewan .35%

Alberta .27%

BC .38%

GENWORTH FOLLOWS CMHC'S LEAD

(*Canadian Mortgage Trends)* – Competitive Issues – Feb 2014

Following CMHC's 11 a.m. EST announcement that it is raising insurance premiums, Genworth Canada (the biggest private default insurer) is announcing its own price hikes. (See here) Genworth's new premiums also take effect May 1, 2014,

GENWORTH MI CANADA INC. SCHEDULES FOURTH QUARTER 2014 EARNINGS CONFERENCE CALL FOR FEBRUARY 11, 2015

Genworth MI Canada Inc. (the "Company") (TSX: MIC) today announced it will issue its earnings release and financial supplement containing the fourth quarter results after the market closes on February 10. A conference call will be held the following day, February 11, at 10:00 AM (ET) to discuss the results for the quarter. Investor materials will be available on the Company's website, http://investor.genworthmicanada.ca, in advance of the call.

DEBT RATIOS (GDS / TDS RATIOS)

(*Canada Mortgage Trends)* – Risk - June 2009

The acceptable ratios for both have generally been 32% and 40% respectively.

For people with very high credit scores, GDS requirements are often waived and the TDS maximum is slightly higher (44% as of January 2011).

Gross Debt Service (GDS) 32%

Total Debt Service (TDS) 42%

MARKET PULSE FROM GENWORTH

(*Canadian Mortgage Trends)* – Competitive Issues May 2013

$150 billion of insurance they can write (and still fit under the federal cap), versus CMHC's $34 billion.

MORTGAGE INSURANCE INSIGHTS FROM GENWORTH

(*Canadian Mortgage Trends)* – Risk – Feb 2013

Genworth says that last July's insured mortgage rule changes "will likely reduce the annual residential mortgage insurance" market for high loan-to-value mortgages "by approximately 15%, as compared to the 2012 market size."

CMHC TO RETURN TO LOWER-RISK ROOTS

(*G&M – Boyd Erman, Tara Perkins)* – Risk – June 2014

The head of Canada Mortgage and Housing Corp. is shifting the priority of the mortgage insurer to helping Canadians buy homes they need, not the bigger, pricier homes they might want. June 17

CMHC TO UNDERWRITE LESS MORTGAGE INSURANCE IN 2014

(*G&M – Andrea Hopkins)* – Public Policy – May 2014

The Canada Mortgage and Housing Agency said on Monday that it expects the amount of insurance in force to continue to decline in 2014 to $545-billion, down 2.2 per cent from $557-billion in 2013 and 3.9 per cent from a high of $567-billion in 2011, at the height of the post-recession housing expansion.

Canada's housing market has risen dramatically if unsteadily since the 2008 financial crisis. The CMHC is on the hook to bail out lenders if the market collapses and borrowers default, as it provides the majority of mortgage insurance in Canada. May 6

WAS CMHC'S MOVE TO TIGHTEN MORTGAGE INSURANCE RULES ANOTHER STEP TOWARDS PRIVATIZATION?

(*FP – Garry Marr)* – Structural Issues May 2014

Canada Mortgage and Housing Corp.'s tightening of mortgage insurance was likely directed by the department of finance as part of a plan to lighten the risk load at the Crown corporation, sources say May 2

CMHC MAY ALTER MORTGAGE INSURANCE TERMS FRIDAY

(*CBC)* – Regulatory Issues – Feb 2014

The federal agency that backstops Canada's housing market will make an announcement Friday that could affect the mortgage market and home buyers.

CMHC LAYING-OFF 215 EMPLOYEES

(*CBJ)* – Dec 2014Canada Mortgage & Housing Corp. has told more than 10% of its employees they will be let go as part of a restructuring plan. Ironically, CMHC will actually be hiring more people, but in areas of higher priority such as risk management and information technology.

HOMEBUYERS EXPECTED TO TAKE HIT AS CMHC TRIPLES FEE IT CHARGES BANKS TO GUARANTEE LOANS

(*FP – Garry Marr)* – Risk – Dec 2014

Canada Mortgage and Housing Corp. is tripling the fee it charges some financial institutions to guarantee loans in the mortgage-backed securities market, a move that could end up costing consumers more, the *Financial Post* has learned. Dec 15

CANADA HOUSING AGENCY REPORTS DROP IN MORTGAGE INSURANCE

(*WSJ – Don Curren)* – Risk – Dec 2014

The total value of the mortgage insurance held by Canada Mortgage and Housing Corp. declined modestly over the first nine months of the year, the government-owned housing agency said on Friday.

The drop came as Canadian mortgage holders are paying off their debts more quickly than CMHC is issuing new insurance. Though not the result of any specific new measures taken by the agency, the decline is consistent with Canada's efforts to reduce taxpayer exposure to the country's mortgage market.

HOUSING MARKET 'MODESTLY' OVERVALUED, CMHC SAYS

(*G&M – Richard Blackwell)* - Indicator

In fact, Canada's homes are only "modestly" overvalued on average, Canada Mortgage and Housing Corp. says in an analysis, and there is no evidence that any dramatic reversal is in the cards. Nov 25

CMHC PROBING CANADIAN HOUSE 'PREMIUM' TO U.S. PRICES

(*CBC)* – Risk – Nov 2014

Canadian prices kept rising as U.S. prices dove in 2006-09

GENWORTH MI CANADA INC. REPORTS THIRD QUARTER 2014 EARNINGS AND ANNOUNCES COMMON DIVIDEND INCREASE AND SPECIAL DIVIDEND

Nov 2014

Net Premiums Written of $217 million, up 35% Year-over-Year
Third Quarter Net Operating Income of $93 Million
Operating Diluted EPS of $0.97
Common Dividend Increase of 11% to $0.39 per Common Share
Special Dividend of $0.43 per Common Share

TORONTO, Nov. 5, 2014 /CNW/ - Genworth MI Canada Inc. (the "Company") (TSX: MIC) today reported third quarter 2014 net income of $98 million or $1.01 per diluted common share, and net operating income of $93 million or $0.97 per diluted common share. Net operating income was impacted by the normalization of losses on claims after the exceptionally low level experienced in the second quarter. Premiums written increased 35% over the prior year with growth primarily coming from the high loan-to-value mortgage insurance segment.

Third Quarter 2014 Key Highlights:

- New insurance written from the Company's high loan-to-value insured mortgages during the quarter was $7.4 billion, $1.1 billion, or 18%, higher than the same quarter in the prior year and $1.9 billion, or 35%, higher than the prior quarter. New insurance written from the high loan-to-value segment generated net premiums written of $192 million, accounting for 88% of the Company's total net premiums written. This represented an increase of $48 million, or 33% higher, as compared to the same quarter in the prior year and a $63 million increase, or 49% higher than the prior quarter. The growth in high loan-to-value premiums is a result of the Company's higher origination volumes, strengthened market position, and the premium rate increase. The premium rate increase accounted for approximately $20 million in premiums written.

- New insurance written from the Company's low loan-to-value insured mortgages during the quarter was $6.0 billion, $2.0 billion, or 49%, higher than the same quarter in the prior year and $2.1 billion, or 26%, lower than the prior quarter, reflecting fluctuations in lender demand. Premiums from this segment were $7.6 million or 44% higher than the same quarter in the prior year and $6.5 million or 21% lower than the prior quarter.

- The number of reported delinquencies outstanding at the end of the quarter was 1708, representing a decline of 70 files as compared to the same quarter in the prior year, and flat as compared to the prior quarter. The year-over-year improvement reflects lower delinquencies in Ontario, British Columbia and Alberta, partially offset by slightly higher delinquencies in the Quebec and Atlantic regions.

- The Company's investment portfolio had a market value of $5.5 billion at the end of the quarter. The portfolio had a pre-tax equivalent book yield of 3.5% and duration of 3.6 years as at September 30, 2014. As a result of ongoing active portfolio management, the Company realized investment gains of $8 million in the quarter.
- During the quarter, the Office of the Superintendent of Financial Institutions (OSFI) released an advisory guideline, *Interim Capital Requirements for Mortgage Insurance Companies*, which will be used on an interim basis for 2015. The Company used this guideline to calculate a pro forma MCT ratio as at September 30, 2014 and compared the result to its estimated MCT ratio using the existing calculation for the same time period. Based on this comparison, the Company believes that the implementation of the 2015 MCT guideline will not have a material impact on its MCT ratio.
- The ratings for the Company and its operating insurance company, Genworth Financial Mortgage Insurance Company Canada, were recently confirmed by DBRS Ratings Limited (DBRS) and Standard & Poor's Ratings Services (S&P). The Company's issuer credit rating remains 'AA' (low) with a stable trend from DBRS and 'A-' with a stable outlook from S&P. The financial strength of its operating insurance company remains rated 'AA' with stable trend by DBRS and 'AA-'with a stable outlook by S&P.

CMHC ADMITS 'DATA GAP,' WANTS MORE INFO ON FOREIGN OWNERSHIP OF CANADIAN REAL ESTATE

(*FP – Garry Marr)* – Regulatory Issues – Oct 2014

CMHC president Evan Siddall said the agency is looking for more data from banks as debate heats up over whether overseas buyers are inflating house prices

In an interview Monday with the *Financial Post,* Evan Siddall said the research arm of CMHC is tackling the foreign ownership issue and looking for more data from the banks.

CMHC CONTINUING WITH PLANS FOR BANKS TO TAKE ON MORE MORTGAGE RISK

(*FP – Garry Marr)* – Risk – Oct 2014

The head of Canada Mortgage and Housing Corp. says there's value in banks having 'skin in the game' such as a 10% deductible if a customer defaults

CMHC HEAD SAYS BANKS SHOULD SHARE RISK ON HOME MORTGAGES

(*CBC)* – Risk – Sept 2014

Evan Siddall says CMHC was a 'shock absorber' in the financial crisis and should not be privatized

rations and has a network of at least 10 Luxembourg units with about 1,000 employees in all. Oct 22

CMHC BOSS LEAVES DOORS WIDE OPEN TO POLICY OPTIONS

(*G&M – Boyd Erman)* – Regulatory Issues / Governance

The government's housing-policy left hand appears to not know what the right hand is doing. One major media outlet suggested Mr. Oliver "played down" the notions that Mr. Siddall put forward.

'SKIN IN THE GAME': CMHC COULD FORCE BANKS TO PAY DEDUCTIBLES ON MORTGAGE INSURANCE

(*FP – Garry Marr)* – Competitive Issues – Sept 2014

The Canada Mortgage and Housing Corp. is looking at a new formula to push some of its losses on to financial institutions, according to sources

MORTGAGE LENDING CHANGE COULD TRIGGER SOFT LANDING OR 'APOCALYPSE'

(Toronto Star – Susan Pigg and les Whittington) – Evolving Regulatory Structures

The federal government has effectively reined in the Canada Mortgage and Housing Corp. by introducing legislation that puts the institution under the direct supervision of the Office of the Superintendent of Financial Institutions. Said Finance Minister Jim Flaherty: "I've been concerned about the CMHC for some time in the sense that it's become an important financial institution in Canada and it was not subject to the same supervision by the Office of the Superintendent of Financial Institutions. So I think this is an important step forward." April 27, 2012

WINNERS AND LOSERS IN CANADA'S HOUSING MARKET

(*G&M – Tara Perkins)* – Indicator – Aug 2014

Canada Mortgage and Housing Corp. released a new forecast this week that was more bullish about Canadian prices, sales and construction than its prior forecast in May. But the national figures meld together very different markets from coast to coast. Here's a regional breakdown of what CMHC is expecting. July 2014

CMHC TURNS UP SCRUTINY OF CONDO INVESTORS AS CONCERNS OF OVERHEATED MARKET GROW

(*FP – Katia Dmitrieva)* – Regulatory Issues – July 2014

Calls are growing louder for more detail about who's investing in the nation's condo market, including how much is owned by foreigners, and what the risks are

LOSS OF CMHC FUNDING SUBSIDY WOULD ONLY STING BANKS

(*G&M – Boyd Erman)* – Competitive Issues – June 2014

Banks can get cheaper funding by using the CMHC securitization system to sell mortgages than they can from other types of funding aside from deposits. That gap represents a subsidy.

CMHC BECOME THE BONDS TO BUY AFTER HOUSING AGENCY DROPS INSURANCE FOR CONDO DEVELOPERS

(*FP – Cecile Gutscher, Ari Altstedter)* – Attitude and Preference Issues / Structural Issues – June 2014

Canada's latest step to head off the threat of a housing bubble is making bonds sold by the nation's housing agency increasingly precious

IMF ADVISES OTTAWA TO TRIM CMHC'S MORTGAGE ACTIVITIES, THEN MAYBE PHASE IT OUT
(*CTV)* – Governance – May 2014

The International Monetary Fund says the Canadian government should look for ways to clip the wings of Canada Mortgage and Housing Corp. and eventually get out of the mortgage insurance business altogether.

CMHC TO RETURN TO LOWER-RISK ROOTS

(*G&M – Boyd Erman, Tara Perkins)* – Risk – June 2014

The head of Canada Mortgage and Housing Corp. is shifting the priority of the mortgage insurer to helping Canadians buy homes they need, not the bigger, pricier homes they might want.

CMHC: EXPECT RISING CANADIAN HOUSE PRICES AND FEWER STARTS IN 2014

(*FP – Andrea Hopkins)* – Indicator – May 2014

Canada federal housing agency lowered its forecast for housing starts but not prices in 2014 and said sales and construction will be flat or barely higher in 2015 as the once-roaring market adjusts to a glut of condominiums coming onto the market.

CMHC TO UNDERWRITE LESS MORTGAGE INSURANCE IN 2014

(*G&M – Andrea Hopkins)* – Public Policy – may 2014

The Canada Mortgage and Housing Agency said on Monday that it expects the amount of insurance in force to continue to decline in 2014 to $545-billion, down 2.2 per cent from $557-billion in 2013 and 3.9 per cent from a high of $567-billion in 2011, at the height of the post-recession housing expansion.

Canada's housing market has risen dramatically if unsteadily since the 2008 financial crisis. The CMHC is on the hook to bail out lenders if the market collapses and borrowers default, as it provides the majority of mortgage insurance in Canada. **WAS CMHC'S MOVE TO TIGHTEN MORTGAGE INSURANCE RULES ANOTHER STEP TOWARDS PRIVATIZATION?**

(*FP – Garry Marr)* – Structural Issues – May 2014

Canada Mortgage and Housing Corp.'s tightening of mortgage insurance was likely directed by the department of finance as part of a plan to lighten the risk load at the Crown corporation, sources say

WHY OTTAWA IS RAISING MORTGAGE INSURANCE PREMIUMS

(*G&M – Tara Perkins)* – Risk / Public Policy – April 2014

CMHC effectively sets mortgage insurance premiums in Canada. Since it's the biggest mortgage insurer, its two rivals (Genworth MI Canada and Canada Guaranty) have generally always copied its pricing. But they weren't happy about it. They had been telling officials in Ottawa that they would like to raise premiums, but they were worried that they'd lose business to CMHC if they did. A main reason why they wanted to raise premiums was that new regulations that were brought in after the financial crisis were forcing them to put aside bigger capital cushions to protect themselves from any future crises. Profit margins were being squeezed.

IN LATEST BID TO TIGHTEN RULES, CMHC TARGETS SECOND HOMES

(*G&M – Tara Perkins)* – Regulatory Issues

It said second-home insurance and its program for self-employed people who don't have their incomes validated by third parties account for less than 3 per cent of its insurance business volumes, in terms of the numbers of mortgages it insures. "Given the limited use of these products, their discontinuation is not expected to have a material impact on the housing market," it stated in a press release. April 2

• Flaherty regrets massive growth of CMHC, vows action if needed

• The value of home loans insured by Canada Mortgage & Housing Corp., which is backed by the federal government, has almost doubled since the end of 2006, saddling taxpayers with a growing liability as policy makers warn that gains in house prices may be unsustainable. CMHC's insurance-in-force was $562.1 billion

CMHC MAY ALTER MORTGAGE INSURANCE TERMS FRIDAY

(*CBC)* – Regulatory Issues – Feb 2014

The federal agency that backstops Canada's housing market will make an announcement Friday that could affect the mortgage market and home buyers.

FOUR CHANGES CMHC NEEDS TO MAKE TO REIN IN ITS MORTGAGE MARKET INFLUENCE

(*G&M – Ben Rabidoux)* – Structural Issues / Public Policy – Feb 2014

1) Increase income documentation requirements on insured mortgages Jan 1 2014

2013

PRIVATIZING CMHC WOULD WEAKEN BANKS, LEAVE ECONOMY VULNERABLE: TD'S ED CLARK

(*FP – John Greenwood)* – Risk – Dec 2014

Any government effort to reform the Crown corporation — as Jim Flaherty, the Finance Minister, has mused several times — risks "taking away the very things that made Canadian banks [so resilient]", he said. Dec 13 2013

FLAHERTY REGRETS MASSIVE GROWTH OF CMHC, VOWS ACTION IF NEEDED

(*FP – Bloomberg)* – Governance

The value of home loans insured by Canada Mortgage & Housing Corp., which is backed by the federal government, has almost doubled since the end of 2006, saddling taxpayers with a growing liability as policy makers warn that gains in house prices may be unsustainable. Dec 9 2013

JIM FLAHERTY VOWS TO INTERVENE IN HOUSING MARKET AGAIN IF NEEDED

(*G&M – Michael Babad)* – Risk / Governance

Mr. Flaherty's latest move came in the summer of 2012, when he tightened mortgage insurance rules and deliberately sparked a slump in the residential real estate market. Nov 13, 2013

CMHC COULD BE PULLED OUT OF MORTGAGE INSURANCE BUSINESS, FLAHERTY SAYS

(Financial Post – Garry Marr) – Evolving Public Policy

Finance Minister Jim Flaherty said he would consider taking Canada Mortgage Housing Corp. out of the mortgage default insurance business. "Over time, I don't think it's essential that a government financial institution provide mortgage insurance in Canada. I think what's key is that mortgage insurance is available at a reasonable cost in Canada. I think there is a role to regulate but whether we, the Canadian people, have to be the owners and shareholders of a financial institution to do this is a question. I don't think it's essential in the long run."

He offered no timetable on when the government could get out of mortgage default insurance business, just offering it up as a possibility. "We have a list of Crowns, Crown agencies that are being reviewed." He added that he said he has no plans to increase CMHC's current (C)$600 billion loan limit, ruled out any possibility of regulating foreign real estate investment and made it clear his focus is on the governance of CMHC which controls about 75% of the mortgage default insurance business in the country. April 30, 2013

COULD CMHC CHANGE 'ONE-SIZE FITS ALL' MORTGAGE INSURANCE TO REFLECT REAL RISK?

(*FP – Garry Marr)* – Risk / Regulatory Issues

Analysis: You have a fantastic job, great credit history and live where the housing market is on solid footing? Forget it, you're paying the same premium as anyone April 2

FEDERAL BUDGET: OTTAWA OUTLINES PLANS TO MAKE IT EASIER FOR SMALL BANKS TO COMPETE

(*FP – Garry Marr)* – Competitive Issues

The federal government says it plans to 'improve the ability of new entrants to compete', while also improving small banks' access to funding from CMHC Feb 12

WHILE CANADA POST THREATENS BALANCED BUDGET, CMHC IS A HUGE HELP

(*G&M – Boyd Erman)* – Risk

According to its own numbers, the mortgage insurance giant that Ottawa owns has added $17-billion to government coffers in the past 10 years, or about $1.7-billion a year. Dec 16

COULD CMHC DISAPPEAR OVER TIME?

(*FP – Gary Marr)* – Structural Issues

Analysis: The IMF waded into Canada's housing market and while it didn't suggest that the government get out of backing loans, it is calling for changes Nov 28

'FIRST-TIME HOMEBUYERS HAVE BEEN HURT': FORMER CMHCCOMPETITOR PETITIONS FOR MORTAGE INSURANCE FEES TO DROP

(*FP – Garry Marr)* – Risk / Structural Issues

A former senior executive at one of Canada Mortgage and Housing Corp.'s competitors says it's time for mortgage default insurance premiums to drop because the Crown corporation doesn't have the same percentage of risky clients due to tighter loan regulations. Oct 22

CIBC SAYS ITS BOOMING CONSUMER MORTGAGE BUSINESS IS WELL-INSURED

(*FP – John Greenwood)* – Risk / Competitive Issues

CIBC says it and other Canadian banks have largely insulated themselves through the use of CMHC insurance, with average coverage of their mortgage portfolios of more than 60% Oct 2

DEFAULTS ARE DOWN AND PROFITS ARE UP AT CMHC

(*FP – Garry Marr)* – Risk

Canada Mortgage and Housing Corporation, a federal Crown corporation, says for the second quarter of 2013 its losses on claims were $117-million, $51-million lower than same period in 2012 and $72-million lower on a year-to-date basis. Aug 30 2013

HOW HOME BUYERS WILL BE AFFECTED BY THE NEW CMHC COOLING MEASURE

(*G&M – Video)* – Risk

Banks on diet in terms of mortgage guarantees. This could cause mortgage costs to rise and experience general tightening mortgage business. August 7 2013

OTTAWA'S LATEST HOUSING CRACKDOWN HAS SOME WONDERING — WHY NOW?

(*FP – Garry Marr)* – Risk / Governance

CMHC has notified banks, credit unions and other mortgage lenders that they will each be restricted to a maximum of $350M of new guarantees this month. August 7 2013

GENWORTH TAKES ITS OWN TACK ON DEBT RATIO POLICIES

(*Canadian Mortgage Trends)* – Risk July 2013

CMHC will be rolling out more conservative debt ratio calculation methods by year-end.

OTTAWA'S RETREAT FROM MORTGAGE MARKET SENDS CMHCINSURANCE SALES TUMBLING

(*G&M – Tara Perkins)* – Risk / Structural Issues / Public Policy

The amount of insurance that Canada Mortgage and Housing Corp. is selling has fallen dramatically, a sign that the federal government is succeeding in its efforts to reduce taxpayer exposure to the residential real estate market. May 31 2013

CMHC MAKES ANOTHER CHANGE TO ITS UPPER RANKS

(*G&M – Garry Marr)* – Risk

The Canada Mortgage and Housing Corp. confirmed that Marc McInnis, the Crown corporation's vice-president of insurance underwriting, servicing and policy, left this month. No reason was given. May 30

BNY MELLON'S EX-CEO ROBERT KELLY TO CHAIR CMHC

(*G&M – Jacqueline Nelson)* – Governance

A Halifax native, Mr. Kelly spent 19 years at Toronto-Dominion Bank moving up the ranks to the position of vice-chairman, where he oversaw about 900 branches. He then went to New York to become CFO of financial firm Wachovia Corp., which was later bought by Wells Fargo & Co. May 6 2013

DAUNTING CHALLENGES, HEAVY SCRUTINY AWAIT NEXT CMHC LEADERS

(*G&M – Tara Perkins)* – Risk / Governance

After allowing the crown corporation to balloon by increasing the cap on the amount of mortgage insurance it can have outstanding from $350-billion at the end of 2007 to $600-billion in 2009, Ottawa decided not to raise that ceiling any further last year as CMHC's portfolio ticked up towards the limit – forcing the insurer to ration the amount of bulk insurance it sells to banks. And Mr. Flaherty has openly mused about whether some form of privatization might be a logical step in the future, and suggested that the crown corporation has grown well beyond its original mandate. April 23 2013

HOUSE PRICES TO CONTINUE CLIMBING, CMHC SAYS

(*The Globe and Mail – Michael Babad)* – Indicator

It projected sales of existing homes between 418,200 and 484,000 this year, and 439,600 next. Feb 25 2013

DON'T HOLD YOUR BREATH ON A PRIVATIZED CMHC

(*The Globe and Mail – Boyd Erman) – Public Policy / Regulatory Issues*

Getting the Canadian government out of the mortgage insurance business at the top of the housing market sounds like a good idea. But it's not going to happen.

Calls for the privatization of Canada Mortgage and Housing Corp. are ringing out – recently from the C.D. Howe Institute's Finn Poschmann, writing in this space. Finance Minister Jim Flaherty mused late last year that the Crown corporation should be sold off. His timeline, however, is telling, suggesting it could take as long as a decade.

Offloading CMHC is an appealing idea in the here and now. Housing is starting to look dodgy as prices come down from record highs, so as a taxpayer, shedding risk on something approaching $600-billion in insured mortgages is certainly appealing. Jan 9 2013

CMHC: OTTAWA'S $800-BILLION HOUSING PROBLEM

(*The Globe and Mail – Tara Perkins, Grant Robertson)* –Public Policy

The article covers issues related to the Canadian housing problem. It covers intervention by CMHC, concerns voiced by various decision makers and the evolution of the CMHC. Dec 27 2012

CANADA GUARANTY UNDERGOES DRAMATIC TURNAROUND

(*G&M – Tara Perkins)* – Risk - April 2012

Paul Holden, an analyst at CIBC who covers Genworth, said that Canada Guaranty's market share is still below 5 per cent. He estimates that it will be several more years before Canada Guaranty corners 10 per cent of the market.

The shift is part of a dramatic turnaround in fortunes for that company, which was called AIG United Guaranty until 2010 and watched its market share shrivel just a few years ago. For the broader economy, the growth of Canada Guaranty's portfolio highlights a bet that both it and its new owners – including the Ontario Teachers' Pension Plan – are making on the resiliency of the housing market even as its fate polarizes industry watchers.

Ottawa decided this year to make CMHC stay within a $600-billion cap on the amount of insurance it can have in force, as Canadians rack up large mortgage debts and push consumer debt levels to new highs.

Andrew Charles, the chief executive officer of Canada Guaranty, says that move has changed the market dynamics. "Those market implications have served to reinforce to lenders that diversifying the amount of suppliers you have is critical," he said.

CMHC is now rationing the amount of portfolio insurance it sells to banks. Mortgage insurance pays a bank when a borrower defaults. Portfolio insurance covers an entire portfolio of uninsured mortgages, and makes it easier for banks to securitize them or have them packaged into bonds which reduce their funding costs and allow them to lend more. Insurance also reduces capital requirements.

Canaccord Genuity analyst Mario Mendonca estimates that $88-billion or 13 per cent of the big six banks' $700-billion in mortgages have been covered with portfolio insurance and then securitized or used in a covered bond program.

"Over the last few months we've received numerous requests from various lending institutions in terms of portfolio insurance," Mr. Charles said. And the company can use that to lure in more regular mortgage insurance business, because portfolio insurance is something it only offers "valued customers."

Both Mr. Charles and Teachers' head of private equity Jane Rowe say they are comfortable with the state of the housing market.

"We think that maybe [house prices will]go down a bit, but we think the housing market today is pretty stable," Ms. Rowe said in an interview. Recent positive news on employment is a good sign, because jobs are a key driver of stability in the mortgage market, she said.

CANADA GUARANTY'S SPECIAL DEAL WITH RBC | MORTGAGE RATES

(*Canadian Mortgage Trends)* – Structural Issues – Jan 2013

RBC says it provides **Canada Guaranty** with "services necessary for the effective credit adjudication/underwriting of mortgage **insurance** ...

CG battles well-entrenched incumbents, so it's forced to go the extra mile. Its top competitor, CMHC, commands an estimated 65-70% of the default insurance market, with Genworth taking most of the rest. CMHC also has a 100% federal guarantee, which reduces lenders' theoretical risk compared to CG's and Genworth's 90% backstop.

To be fair, we don't know the details of what RBC is offering CG in return (besides deal flow). RBC says it provides Canada Guaranty with "services necessary for the effective credit adjudication/underwriting of mortgage insurance applications as well as services necessary for the ongoing administration of mortgage default insurance policies." Thus, it's unclear how much RBC is netting from this $140 in extra revenue.

Canada Guaranty seems to be setting a precedent among the current mortgage insurers. In speaking with CMHC, it confirms that it does not engage in similar cash payments in return for business. We're fairly certain that Genworth doesn't either.

CG is thus the only 100% Canadian-owned default insurer in Canada.

STANDARD & POOR'S GLOBAL GROUP RATINGS METHODOLOGY IMPACTS GENWORTH MI CANADA INC. FOLLOWING DOWNGRADE OF GENWORTH FINANCIAL GROUP

November 7, 2014

TORONTO, Nov. 7, 2014 /CNW/ - Genworth MI Canada Inc. (the "Company") (TSX: MIC) notes that Standard & Poor's Ratings Services ("S&P") has revised its rating on Genworth Financial Group following the recent release of the Genworth Financial, Inc. third quarter earnings.

As at September 30, 2014, Genworth MI Canada Inc. had $5.9 billion total assets and $3.3 billion total shareholders' equity. Find out more at www.genworth.ca. - See more at:

2012 letter to Joe Oliver http://www.chba.ca/uploads/Policy%20Archive/2012/Oliver-Sept17-12.pdf

GENWORTH & CANADA GUARANTY GET NEW LIMIT

(*Mortgage Broker News)* – Dec 2012

Private insurers can have up to $300 billion (combined) of insured mortgages on their books. The current limit is $250 billion.

INTERVIEW WITH ANDYCHARLES, CANADA GUARANT'S PRESIDENT AND CEO

(*Mortgage Broker News)* – April 2012

CMHC rationing bulk insurance has, "certainly seen an increase in our overall high-ratio volumes…"

BANKS HOLD MOST OF THE CARDS IN MORTGAGE GAME

(Financial Post – John Greenwood)

As providers of more than 60% of home loans in Canada, the large Canadian banks are major players, determining everything from who gets to be a buyer to what people can afford to pay. The chartered banks had (C)$495 billion of mortgages on their balance sheets as of this month, or about half of all outstanding home loans - and that doesn't include the billions of dollars of home loans that the banks have sold into the Canada Mortgage Bond program. Oct 18 2010