

Senator David Bushby
Chair
Senate Economics References Committee
PO Box 6100 Parliament House
CANBERRA ACT 2608

Via Email: economics.sen@aph.gov.au

Tuesday 15 March 2011

Dear Senator Bushby,

Re: Senate Inquiry: Competition within the Australian Banking Sector

Genworth Financial (Genworth) is the leading provider of Lenders Mortgage Insurance (**LMI**) in Australia. LMI is a fundamental element in affordable homeownership and we are proud of our contribution to that critical area of public policy in Australia over a period of 45 years.

With a strong track record of contributing to the debate around homeownership, Genworth welcomed the Federal Government's release of the *'Competitive and Sustainable Banking System'* on 12 December 2010 and the Senate Inquiry into *'Competition within the Australian Banking Sector'*. Subsequent to this, Genworth and the LMI industry have been in consultation with Government and Treasury officials regarding references to transferability/portability of LMI.

Unfortunately an apparent lack of understanding, on the part of some industry participants, has led to some incorrect assumptions and assertions regarding LMI being made during the Senate Inquiry's hearings and in submissions. With full respect for the Committee's role, Genworth will address those comments to ensure the Inquiry is fully informed about the role and contributions of LMI. Genworth also endorses the Insurance Council of Australia's submission, of which Genworth is a member.

Key Points:

- LMI has, and continues to, function effectively in Australia;
- Refund schedules for LMI are currently in force in the Australian market - a degree of portability already exists;
- LMI does not serve as a barrier to consumers switching lenders. Only 1% of residential mortgages originated in Australia each year are likely to involve a consumer paying an additional LMI premium (where there is a dollar for dollar refinance);
- On average the cost of LMI in Australia is between \$3000 and \$4000 – in Canada the premium is almost 50% higher, allowing in part for a type of portability of LMI. Changes to the status quo could result in LMI premium increases for all homebuyers due to regulatory capital requirements;
- Delinquencies for refinance loans are 40% higher than straight purchase loans – responsible lending practices must continue;

- The current system could be enhanced by more effective disclosure and transparency to consumers about LMI and self insurance programs in the market. Genworth is committed to ensuring that LMI is transparent to consumers; and
- Proposals in respect to the function of LMI must equally apply to private LMI, captive LMI and other forms of self insurance.

Recommendation:

Genworth encourages inclusion of information about LMI offered by both independent and captive LMI providers (and also self insurance programs offered by some lenders) in the Federal Government's proposed mortgage fact sheets, as part of its 'Competitive and Sustainable Banking System' reforms. We believe this is consistent with proposals from consumer groups and will create more transparency in the market about LMI generally and in particular refund policies for consumers.

Yours sincerely

**Ellie Comerford
President & CEO**



Genworth
Financial

Genworth Financial Submission

1. Introduction

1.1 About Genworth & Lenders Mortgage Insurance (LMI)

Genworth is a specialty insurance company with assets of over \$110 billion, based in Richmond, Virginia, USA and listed on the New York Stock Exchange. Genworth offers life insurance, long term care insurance, wealth management services and is the largest globally active private sector provider of mortgage insurance (MI). Genworth serves more than 15 million customers globally. We are dedicated to helping people succeed financially throughout their lives. We provide innovative products that position us as leaders in growing market segments, including life and long term care insurance, individual and group annuities and investment products, managed money, payment protection insurance and lenders mortgage insurance (**LMI**).

Locally, Genworth operates in Australia via Genworth Financial Mortgage Insurance Pty Limited (**Genworth**) an APRA regulated specialist mortgage insurance provider. Genworth is the leading provider of LMI in Australia and New Zealand. In partnership with lenders, our aim is to make home ownership more accessible to borrowers through the provision of LMI solutions. Working with close to 200 lenders, Genworth has built a reputation for its expertise in understanding the evolving mortgage market. Our financial strength is underpinned by our A\$3billion investment portfolio, as well as our rich data gained through insuring mortgages for over 45 years.

Through our regulated subsidiaries or branches, Genworth offers MI in Australia, Canada, Germany, Finland, Ireland, Italy, Korea, Mexico, New Zealand, Portugal, Spain, Sweden, the United Kingdom, and the United States. We provide such coverage to more than 1350 lenders in the United States, 200 lending institutions in Australia and New Zealand, 180 lenders in Canada, 90 lenders (with 27 currently actively originating new business) in member countries in the European Union, and 9 lenders in Mexico.

We believe our global experience with high loan-to-value (**HLTV**) residential lending (e.g. predominantly First Home Buyers) is a key component of housing systems globally.

LMI provides protection (typically for the life of the loan) to financial institutions against losses arising from borrower default on residential mortgage loans. HLTV lending reflects widespread and longstanding political and social objectives of ensuring that the financial system adequately serves moderate income homebuyers - especially families who are first homebuyers. HLTV loans represent approximately 20% of loans originated in Australia.

Internationally, mortgage insurance, or its equivalents such as guarantees, is a feature in the housing finance systems of about 30 countries. It is offered both by public sector entities and, increasingly, by private sector players such as Genworth¹.

¹ In the United States, Canada, Australia and Mexico, the mortgage markets make extensive use of well-capitalized and well-regulated private mortgage insurance, having institutionalized the function in the public sector through the Federal Housing Administration (U. S.); Canada Mortgage and Housing Corporation (Canada); Housing Loan Insurance Corporation (Australia); and Sociedad Hipotecaria Federal (Mexico). Similar public or private sector programs are in place and utilized in the United Kingdom, Ireland, Spain, Italy, Portugal, Sweden, Germany, France, Mexico, Hong Kong, Israel, Finland, the Netherlands, the Dominican Republic, Japan, the Philippines, Morocco, Guatemala, Estonia, Lithuania, Kazakhstan, the Palestinian territories, Serbia, Algeria, Mali and South Africa. Several large developing markets are either taking steps to implement mortgage insurance – or functionally similar mortgage guaranty – programs (India , through a venture sponsored by the National Housing Bank), or are actively considering doing so (Brazil, Russia, and China).

In Australia, more than two million homebuyers have leveraged LMI to obtain home ownership (the majority of these have been first home buyers). LMI has been closely linked to Government policy since 1965 when it was introduced by the then Menzies Government. Since the Federal Government's First Home Owners Boost in 2008, Genworth has insured more than 100,000 first home buyers. 90% of first homebuyers require mortgage insurance given that they usually fall into the HLTV risk category. Without LMI, these consumers would not have achieved homeownership when they did, and could still be caught in the rental trap.

LMI works by allowing consumers to borrow up to 95% of the property's value. LMI is a single upfront premium payable at loan settlement. Premiums are set according to a community priced rate where the only key variables are loan amount and LTV. LMI is usually capitalised into the loan amount. In 2010, the average Genworth LMI premium was approximately \$3000.

LMI is an insurance contract between the LMI provider and the lender in respect of a particular loan to cover the lender for any shortfall on the sale of the property following borrower default. Borrowers are not a party to the contract. Lenders typically pass on the LMI premium cost to the consumer in cases where the consumer borrows more than 80% of the property's value.

LMI is designed to create a counter cyclical buffer for the HLTV mortgage risk in the banking system. LMI providers drive market discipline, help maintain prudent capital, governance and underwriting standards, apply advanced risk management expertise and monitoring tools to enforce disciplined risk taking. This role is consistent with responsible lending and ensures that consumers do not overextend themselves.

Mortgage insurers also act as a bank counterparty and share systemic risk. Counter-cyclical capital is built up in cycles and injected back into the system in down cycles such as the recent global financial crisis. In Australia, mortgage insurers are regulated by APRA and subject to strict capital requirements and stress testing. Over the past 3 years Genworth has paid in excess of \$400million in claims to support the banking sector.

A report commissioned by Genworth and conducted by Access Economics in 2010 (copy attached to this submission) highlighted the key role of LMI to the Australian housing market and economy. In short the paper highlights the following aspects about LMI:

- LMI provides protection to financial institutions against losses arising from borrower default on HLTV residential mortgages;
- LMI facilitates borrower access to such housing finance options while reinforcing prudent lending standards and supporting a more resilient and stable financial system;
- The current value of LMI in the Australian economy includes homeownership, financial and competition/securitisation;
- Extending home ownership has long underpinned government housing policy in Australia and LMI has helped achieve this desired social outcome; and
- LMI is a private model that does not impose upon Government budgets nor taxpayer funds and should be preserved.

1.2 Background

Following the announcement of this Inquiry in November 2010, Genworth has closely monitored submissions and evidence. Initially, Genworth did not plan on making a submission as it appeared to us that the focus of the Inquiry, as the name suggests, was on competition in the banking sector.

As noted in the Access Economics report, LMI has played a very important role in increasing competition in the home lending market over the past twenty years, in particular through the credit enhancement support it has offered non-banks, regional banks, building societies and credit unions. Through the support of LMI and leveraging the AA ratings of LMI providers, these smaller lenders were able to cost effectively access the capital markets between 1990 and 2008. This in turn, enabled these lenders to

place competitive pressure on the larger banks, helping to reduce margins on mortgages and offering increased choice for consumers. This would not have been possible without the support LMI providers gave to this sector of the industry.

However, as part of the Inquiry has focused on the ease of consumers switching lenders, we have observed some of the submissions and witnesses giving evidence have made reference to LMI, often with a lack of understanding of LMI. It is important that we address these comments about LMI to correct the record, and assist the Inquiry to form a considered view on these matters.

1.3 Scope of Submission

This submission comprises three parts. Part 2 seeks to address each of the key comments or opinions about LMI expressed in submissions and/or witnesses providing evidence to the Inquiry. Part 3 provides a summary of the Government's 'Competitive and Sustainable Banking System' proposals announced in December 2010 as they relate to LMI.

Part 4 of the submission sets out, at a high level, Genworth's recommendations to promote greater understanding and transparency of LMI by consumers and industry participants.

2 Comments Made About Lenders Mortgage Insurance (LMI)

2.1 LMI is Not An Impediment To People Switching

Despite evidence during the Senate hearings, LMI is not an impediment to people switching lenders.

The first point to note is that LMI is typically only required on HLTV loans (above 80%). If a consumer does take out a high LTV loan and looks to switch to another lender, our analysis shows that the consumer is unlikely to be asked to pay LMI again if they switch after two to three years, given the LTV for the new loan is likely to be below 80% given long run home price appreciation assumptions (even before taking into account any loan amortization). So the first point is that it is uncommon for consumers to be asked to pay LMI again when switching to a new lender, unless they do so very soon after taking out the first loan.

The LMI industry has conducted some analysis on the amount and type of refinance LMI applications they do in fact see. The Insurance Council of Australia² sent correspondence to the Commonwealth Treasury on 23 February 2011 which summarized this analysis. The letter stated that:

Approximately 20% of all mortgages are currently insured with an LMI provider;

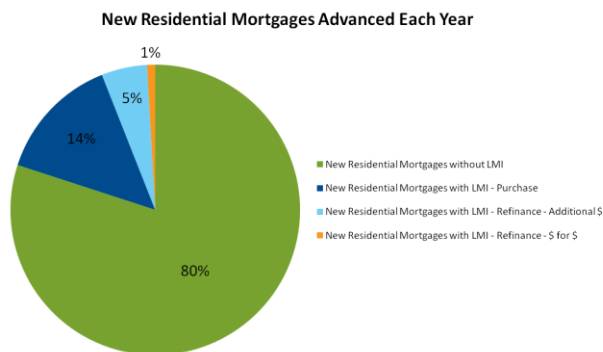
• Of those insured mortgages, approximately 30% are refinances; and

• Of those 30% of loans that are insured which are for refinance purposes, approximately 10% are "dollar for dollar" and do not involve some element of increased risk or equity withdrawal on the part of the borrower.

Taking those considerations into account, it would appear that this issue affects less than 1% of all mortgages currently originated in Australia".

The chart entitled, 'New Residential Mortgages Advanced Each Year' highlights the small pool of consumers who would actually seek to switch lenders (who have mortgage insurance).

² The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. September 2010 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$33.8 billion per annum and has total assets of \$101.5 billion. The industry employs approx 60,000 people and on average pays out about \$86 million in claims each working day.



This data clearly makes the point that:

- It is only where a consumer seeks to refinance a HLTV loan with another lender very soon after loan origination that it is likely that the consumer may have to pay another LMI premium;
- In those cases where the consumer does refinance and have to pay another LMI premium, approximately 85% of LMI refinance loans involve additional risk for the lender and LMI provider because the risk profile of the loan is changing as a result of the consumer borrowing more money; and
- Less than 1% of all residential mortgages originated in Australian in a calendar year (in the 80-90 LTV bracket), and where it is dollar for dollar refinance, may involve the consumer having to pay another LMI premium where there is no apparent change in the risk profile.

Cases where another LMI premium may be payable, the consumer may be entitled to a partial refund of the initial premium (see section 2. 2. below).

2.2 Portability of Mortgage Insurance Already Exists

Contrary to evidence given during the Senate hearings, consumers do not 'start from scratch' when switching lenders. In fact, private LMI providers, such as Genworth, offer refund schedules to lenders.

The current Genworth refund rate (subject to change) is as follows:

Period From Date Of Premium Payment to Date When Loan Has Been Repaid In Full Refund	Refund Payable*
1 Year Or Less	40 percent
Over 1 Year to 2 Years	20 percent

In the case of loan discharges and cancellations, the lender should first advise Genworth. As soon as the loan has been fully repaid the policy will be cancelled and any refund due calculated and paid to the lender. The lender will then pass on the refund to the consumer. Genworth offers refunds to all lenders, however some lenders offer borrowers a further discount to their overall LMI premiums in lieu of the refund option that Genworth offers. This does depend on the lender and is something an individual lender can comment on further. The refund policy was first established by HLIC and has since been enhanced, drawing from over 45 years of risk and market experience.

Per the chart above, if a consumer switches lenders in the first year, they receive a 40% refund. In the second year this is 20%. As noted above, by the third year the borrower is unlikely to be asked to pay LMI again given the LTV is likely to be at or below 80%.

In its submission the FBAA implicitly criticises this refund scheme and suggests that the refund should be calculated on a pro rata or proportional basis, commensurate with the term of the loan. This comment fails to recognise the fact that:

1. The risk of default in respect of a mortgage is not proportional like car insurance – with a mortgage the risk is very much weighted towards the first three to four years of the loan;
2. LMI providers are required to carry full capital for the first three years of the loan, after which the capital gradually reduces as the risk reduces; and
3. LMI providers incur significant up front expense in acquiring, underwriting and monitoring the loan in the early stages of the life of the loan.

Accordingly a pro rata or proportional refund scheme is entirely inappropriate for residential mortgage related risk.

The FBAA also makes the point in its submission that there is a low level of consumer awareness about the existence of LMI refunds and that if the consumer does not ask for the refund, they are unlikely to get it. Genworth welcomes the opportunity to work with Government and industry to create a greater level of consumer awareness about LMI refunds, given no refund is generated automatically. Genworth's recommendation is covered in section 4 below.

LMI providers also offer additional flexibility with existing LMI policies and changes to that policy. For example, if a borrower wishes to substitute the original underlying security the residential property with another security, then the consumer may be entitled to a variation refund in cases where there is no increase in the exposure or the risk. Of course each refund is considered on a case by case basis and may differ dependant on the LMI provider and lender involved.

2.3 Cost of Mortgage Insurance

Some transcripts during the Inquiry's public hearings have suggested that, as a general rule, LMI premiums are generally in the range of \$7000-\$10,000. This is incorrect. In fact, the average LMI premium charged by Genworth in 2010 was between \$3000 and \$4000. Of course the premium charged depends on the loan size, loan type and level of deposit (with each loan assessed on a case-by-case basis).

Currently, LMI providers typically assume insured loans will have an effective life of 6 years, reflecting the fact that borrowers will discharge their mortgages by either moving lenders or upgrading to another property. This assumption is critical in determining LMI premiums and ensures a lower premium can be offered across all consumers. This community approach ensures that the majority of borrowers receive the benefit of lower premiums.

Mortgage insurance is a very capital intensive business. As an example, for a new standard loan of \$300,000 with a loan to valuation ratio of 90%, APRA requires LMI providers to hold a minimum of \$6,000 of capital throughout the first three years, with the amount gradually reducing over the life of the loan. This amount is just for the risk of the loan defaulting. In addition, there are other capital charges on the premium written and the assets and liabilities held in respect of it.

The upfront single premium, which in Australia is able to be capitalised into the loan at origination, is the internationally preferred structure for a unique and long term insurance model, given the size of the risk and the capital required to support that risk.

If a borrower wants to change lenders and the new lender requires LMI, APRA regulations require LMI providers to treat it as a new loan and new risk in respect of the new lender. As such new capital must be set aside, necessitating the charging of a new premium. If true lender to lender portability were to be introduced to the product, the regulations governing the product would have to be re-written and the cancellation assumptions currently built into the pricing structure would need to be revised. This would

almost certainly mean a material premium increase for all LMI premiums. That is, all borrowers would have to pay materially higher LMI premiums in order to provide some financial benefit to the minority of borrowers who refinance HLTV loans in a short space of time.

In most cases, if switching lenders, if the loan has been in existence for approximately 4 years, borrowers will have taken advantage of house price appreciation (long run average of 4%) and paid down the loan sufficiently that they would likely fall below the 80% LTV threshold that requires LMI.

Comparisons to other markets such as Canada, which has lender to lender portability (which is facilitated by the fact that there is a legal mechanism in Canada for lenders to assign mortgages between them), are stark in terms of the premiums paid by consumers. Premiums in Australia are much lower than Canada, particularly for the HLTV, first homebuyer segment of the market.

Scenario: Australia Versus Canada

Aus Premium - \$300,000 Loan	85% LTV	90% LTV	95% LTV
Mortgage Insurance (excluding Stamp Duty)	\$2,430	\$3,390	\$6,630

Canada Premium - \$300,000 Loan (Based on Aus & Canadian Dollars On Parity)	85% LTV	90% LTV	95% LTV
Mortgage Insurance	\$5250	\$6000	\$8250

The chart above provides an example of a 90% LTV loan’s average premium in Australia (based on a \$300,000 loan) of \$3390 versus a Canadian premium for the same loan of almost double at \$6000. This comparison highlights the fact that as the mortgage is likely to remain in force longer (the average life of a loan in Canada is 8 to 9 years versus 6 years in Australia), an LMI provider in Canada is likely to be ‘on risk’ for a longer period of time and therefore require a higher premium to bear that risk for longer. The key is that the \$3390 premium is coverage for the life of the loan and is usually capitalised into the loan, thus affording the consumer the opportunity of entering the housing market.

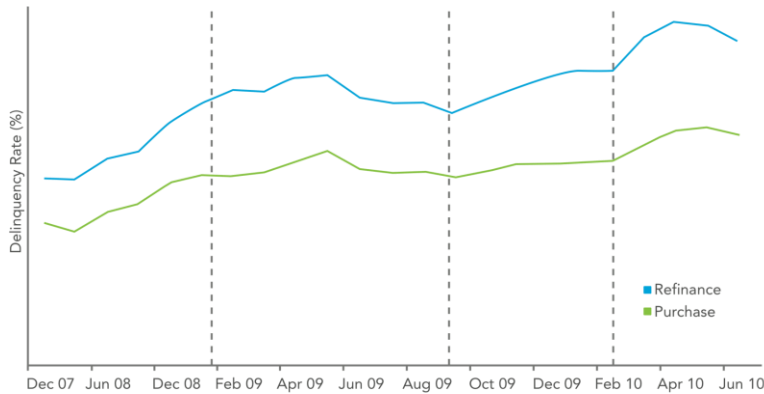
Comparisons of premiums to markets such as Canada are critical as it highlights that Australia’s LMI premiums are not expensive in the global sense and indeed are fair and equitable for the consumer, given the ability to capitalise the premium into the loan.

2.4 Performance of Refinance Loans Versus Purchase

There has been much commentary about the need for consumers to switch lenders and achieve better deals. While Genworth appreciates the need for choice and competition in the mortgage market, it must be noted that the performance of refinance loans versus purchase are significantly worse.

The chart below identifies the performance of both categories of loan. The delinquency rate (90 days+ in arrears) for refinance loans is 40% higher than straight purchase. Dollar for dollar refinances are not the norm and often consumers are topping up their loan, renovating, consolidating debt or masking mortgage stress.

Clearly refinance loans present greater risk for lenders and LMI providers and, consistent with the responsible lending provisions of the National Consumer Credit protection regime, are required to be carefully re-assessed and re-underwritten on a case by case basis at the time of origination.



2.5 LMI Providers Operate Under The Insurance Contracts Act

LMI providers are regulated by APRA and subject to specific APRA regulation and capital standards.

The LMI contract, which is between the LMI provider and the lender, is governed by the Insurance Contracts Act. All LMI contracts are constructed in accordance with the legislation. However, LMI is NOT governed by Chapter 7 of the Corporations Act 2001 (which would require the issuance of a product disclosure statement) because the product is not provided to the consumer – as noted previously it is a contract between the LMI provider and the lender. Further, LMI providers are not required to be licensed by ASIC as a provider of a financial service or product by reason of s911A(2)(g) of the Act. The fact is that LMI providers are regulated by APRA and only provide LMI to lenders, who are regarded as ‘wholesale clients.’

Clearly the FBAA’s contention is inaccurate in this respect.

2.6 Consumer Benefit

LMI supports the housing system by enabling consumers to achieve home ownership, plus mortgage insurers work with lenders to find workout solutions for borrowers in hardship.

The FBAA submission makes the comment that LMI offers “no benefit to the consumer albeit they pay for it.” This is incorrect.

As noted on page 3 of the Access Economics report, apart from the fact that LMI has helped competition in the lending sector over the past twenty years, LMI extends lending to those borrowers who are typically excluded altogether, and brings forward access to those borrowers who do not have a sufficient deposit at the time of application. Clearly borrowers have a choice of saving a larger deposit to avoid having to pay LMI: however if they decide they wish to enter the market sooner they can do so with the support of LMI. If they choose this option LMI enables them to obtain a HLTV loan on the same general terms and conditions (including interest rate) as a borrower taking out a low LTV loan, given the credit risk has been transferred to the LMI provider.

Genworth also works diligently at the ‘back end’ to help Australians stay in their homes in times of hardship. Genworth has approved 18,518 hardship cases since 2007. More recently, Genworth has approved approximately 900 hardship cases in connection with the Queensland floods and is continuing to work with lenders to find solutions to help borrowers stay in their homes whilst they suffer a temporary shock to their income as a result of these natural disasters.

2.7 History of a Government LMI Function

In its submission ME Bank makes the following comments:

Currently lenders mortgage insurance is a duopoly market. The reintroduction of Federal Government underwriting insurance would provide greater competition, confidence and transparency and provide significant support in attracting investment in RMBS.

The selloff of HLIC reduced competition and exacerbated the competitive disadvantage suffered by securitisers relative to banks funding on balance sheet.

In response, Genworth (being the successor to HLIC via GE ownership during the period 1997-2004) makes the following points:

- Apart from the two independent LMI providers, there are four other captive LMI providers owned by banks, as well as various other forms of self insurance programs run by the banks in respect of HLTV loans. Therefore the market is not a duopoly.
- In any event an apparently concentrated market does not automatically mean a market or industry is not competitive. As noted in this submission, LMI is an extremely capital intensive business which by its very nature only attracts a small number of providers globally. The US mortgage market, which is many multiples the size of Australia's, is served by five independent LMI providers.
- LMI providers remained willing to insure good quality HLTV loans throughout the global financial crisis to facilitate the securitisation of those loans, where markets conditions allowed.
- Private LMI providers contribute significant private capital to support housing affordability, housing accessibility, risk management and market discipline, at no cost to the Government balance sheet. Whilst we believe there is some role for Governments to play in conjunction with private LMI (as we see in other key markets such as Canada and the US) in order to facilitate the secondary market in particular, we do not consider the Government currently has the appetite nor desire to re-enter the LMI market after exiting 14 years ago.
- In summary, we do not see that the absence of a Government owned LMI provider over the past 14 years has been an impediment to competition in the banking sector, and nor do we believe that establishing such a provider (as unlikely as that may be) is an essential element to enhancing competition in the banking sector.

3 Government Reforms

As part of its Banking Reform Package announced on 12 December 2010, the Gillard Government made the following announcement:

The Government will also take further steps to boost the capacity of Australian home borrowers to transfer mortgages by accelerating its development of potential frameworks to:

- Transfer Lenders Mortgage Insurance from lender to lender — to avoid consumers losing the value of the insurance when switching

- Allow consumers to avoid lender fees, as well as mortgage discharge and re-establishment costs, through the introduction of a central repository to hold all mortgages so that refinancing a mortgage would not involve a borrower discharging and reinstating their mortgage.

Genworth and the Insurance Council of Australia are working with the relevant Government stakeholders to ensure that an appropriate industry solution can be found to address such concerns. The issue is more about transparency of the product (and other like products such as captive MI and self insurance) in the market rather than portability. As outlined above refunds already exist. As such, better disclosure by the mortgage industry for consumers is the key.

4 Recommendations

Genworth supports an industry solution as opposed to a legislative solution to address concerns about the function of LMI.

Genworth does not support 100% portability from lender to lender.

Complete portability of LMI as opposed to the current refund arrangements would require significant market and regulatory (capital) changes plus potential legislation. Such moves would give rise to a number of complicated legal issues and take years to implement.

Additional issues for consideration, as outlined above, include the performance of refinance versus straight purchase transactions and the fact that in jurisdictions such as Canada where portability is in place, LMI premiums are significantly higher. Material premium increases could result from portability of the product (assuming that all legal and operational issues can be covered). Any amendments to existing industry practice by policymakers would need to be prospective as opposed to retrospective and apply equally to private mortgage insurers, LMI captives and self insurance programs.

The industry has a role to play in better educating consumers about such products. Genworth has proactively sought to do this together with industry and more can be done. To this end, Genworth supports the inclusion of information about LMI (in general) in the Government's proposed 'Key facts About This Mortgage' sheet. More open and transparent documentation would benefit consumers and be a simple, cost effective and almost immediate solution to address current concerns.

In conclusion the solution that Genworth encourages the Committee to endorse is as follows:

Genworth encourages inclusion of information about LMI offered by both independent and captive LMI providers (and also self insurance programs offered by some lenders) in the Federal Government's proposed mortgage fact sheets, as part of its 'Competitive and Sustainable Banking System' reforms. We believe this is consistent with proposals from consumer groups and will create more transparency in the market about LMI generally and in particular refund policies for consumers.

Genworth respects the work that the Senate Inquiry is undertaking in relation to competition within the banking sector and the natural relationship to LMI.

The status quo may require some attention, but it would not appear to warrant significant change. As your Committee continues to review competition, we would welcome meeting with you or your colleagues again.

15 March 2011

Appendix

(Attachment)

Access Economics 2010 Report