

Genworth MI Canada Inc. Comments on Recently Announced Mortgage Insurance Changes

Toronto, ON (October 4th, 2016) – On October 3, 2016, the Minister of Finance announced a number of changes designed to reinforce the Canadian housing finance system. Building on measures announced in late 2015, the Government will:

- Bring consistency to mortgage insurance rules by standardizing eligibility criteria for high- and low-ratio insured mortgages, including a mortgage rate stress test;
- Improve tax fairness by closing loopholes surrounding the capital gains tax exemption on the sale of a principal residence; and,
- Consult on how to better protect taxpayers by ensuring that the distribution of risk in the housing finance system is balanced.

“Today’s announcement by the Minister of Finance demonstrates that housing and the housing finance system remains a top priority for the Government,” said Stuart Levings, President and CEO of Genworth Canada. “As a key stakeholder, we remain committed to responsible lending practices, while helping first-time homebuyers achieve the dream of homeownership.”

Key changes to the mortgage insurance rules are described below.

Applying a Mortgage Rate Stress Test to All Insured Mortgages

Effective October 17, 2016, all insured homebuyers must qualify for mortgage insurance at an interest rate that is the greater of their contract mortgage rate or the Bank of Canada’s conventional five-year fixed posted rate, which is currently 4.64%. This requirement is already in place for high-ratio insured mortgages with variable interest rates or fixed interest rates with terms less than five years. To qualify for mortgage insurance, debt-servicing ratios cannot exceed the maximum allowable levels of 39% and 44%, for Gross Debt Service ratio and Total Debt Service ratio, respectively.

Changes to Low-Ratio Mortgage Insurance Eligibility Requirements

Effective November 30, 2016, mortgage loans that lenders insure using portfolio insurance and other discretionary low loan-to-value mortgage insurance must meet the eligibility criteria that previously only applied to high-ratio insured mortgages. New criteria for low-ratio mortgages to be insured will include the following requirements:

1. A loan whose purpose includes the purchase of a property or subsequent renewal of such a loan;
2. A maximum amortization length of 25 years;
3. A maximum property purchase price below \$1,000,000 at the time the loan is approved;

4. For variable-rate loans that allow fluctuations in the amortization period, loan payments that are recalculated at least once every five years to conform to the original amortization schedule;
5. A minimum credit score of 600 at the time the loan is approved;
6. A maximum Gross Debt Service ratio of 39 per cent and a maximum Total Debt Service ratio of 44 per cent at the time the loan is approved, calculated by applying the greater of the mortgage contract rate or the Bank of Canada conventional five-year fixed posted rate; and,
7. A property that will be owner-occupied.

Impact of Changes Related to Mortgage Rate Stress Tests and Low-Ratio Mortgage Insurance Eligibility Requirements

Based on year-to-date 2016 data, we estimate that a little over one third of transactionally insured mortgages, predominantly for first time homebuyers, would have difficulty meeting the required debt service ratios and homebuyers would need to consider buying a lower priced property or increase the size of their down payment.

Furthermore, approximately 50% to 55% of our total portfolio new insurance written would no longer be eligible for mortgage insurance under the new Low Ratio mortgage insurance requirements.

Any impact on future premiums written may be partly offset by premium rate increases, in response to the higher capital requirements resulting from the Office of the Superintendent of Financial Institutions' draft advisory entitled "*Capital Requirements for Federally Regulated Mortgage Insurers*" as noted in Genworth MI Canada's press release dated September 23, 2016.

Forthcoming Consultation on Lender Risk Sharing

The Government also announced that it is reviewing the distribution of risk in the housing finance framework (introducing the potential of lender risk sharing such that lenders retain a meaningful, but manageable level of exposure to mortgage default risk). The Government is launching a public consultation process, which could take some time, and the Company will participate in these critical discussions as and when required. It is too early to comment on the potential impact of this process and its outcome.

Caution regarding forward looking information and statements

Certain statements made in this press release contain forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). When used in this press release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company are intended to identify forward-looking statements. Specific forward-looking statements in this document include, but are not limited to, statements with respect to the implementation of the changes introduced by the Government and the potential impact on new insurance written, as well as the Company's future operating and financial results, sales expectations regarding premiums written, capital expenditure plans, dividend policy and the ability to execute on its future operating, investing and financial strategies.

The forward-looking statements contained herein are based on certain factors and assumptions, certain of which appear proximate to the applicable forward-looking statements contained herein. Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Actual results or developments may differ materially from those contemplated by the forward-looking statements.

The Company's actual results and performance could differ materially from those anticipated in these forward-looking statements as a result of both known and unknown risks, including: the continued availability of the Canadian government's guarantee of private mortgage insurance on terms satisfactory to the Company; the Company's expectations regarding its revenues, expenses and operations; the Company's plans to implement its strategy and operate its business; the Company's expectations regarding the compensation of directors and officers; the Company's anticipated cash needs and its estimates regarding its capital expenditures, capital requirements, reserves and its needs for additional financing; the Company's plans for and timing of expansion of service and products; the Company's ability to accurately assess and manage risks associated with the policies that are written; the Company's ability to accurately manage market, interest and credit risks; the Company's ability to maintain ratings, which may be affected by the ratings of its majority shareholder, Genworth Financial, Inc.; interest rate fluctuations; a decrease in the volume of high loan-to-value mortgage originations; the cyclical nature of the mortgage insurance industry; changes in government regulations and laws mandating mortgage insurance; the acceptance by the Company's lenders of new technologies and products; the Company's ability to attract lenders and develop and maintain lender relationships; the Company's competitive position and its expectations regarding competition from other providers of mortgage insurance in Canada; anticipated trends and challenges in the Company's business and the markets in which it operates; changes in the global or Canadian economies; a decline in the Company's regulatory capital or an increase in its regulatory capital requirements; loss of members of the Company's senior management team; potential legal, tax and regulatory investigations and actions; the failure of the Company's computer systems; and potential conflicts of interest between the Company and its majority shareholder, Genworth Financial, Inc.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Some of these and other factors are discussed in more detail in the Company's Annual Information Form (the "AIF") dated March 16, 2016. Investors and others should carefully consider these and other factors and not place undue reliance on the forward-looking statements. Further information regarding these and other risk factors is included in the Company's public filings with provincial and territorial securities regulatory authorities (including the Company's AIF) and can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. The forward-looking statements contained in this press release represent the Company's views only as of the date hereof. Forward-looking statements contained in this press release are based on management's current plans, estimates, projections, beliefs and opinions and the assumptions related to these plans, estimates, projections, beliefs and opinions may change, and are presented for the purpose of assisting the Company's securityholders in understanding management's current views regarding those future outcomes and may not be appropriate for other purposes. While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company does not undertake to update any forward-looking statements, except to the extent required by applicable securities laws.

About Genworth MI Canada Inc.

Genworth MI Canada Inc. (TSX: MIC) through its subsidiary, Genworth Financial Mortgage Insurance Company Canada (Genworth Canada), is the largest private residential mortgage insurer in Canada. The Company provides mortgage default insurance to Canadian residential mortgage lenders, making homeownership more accessible to first-time homebuyers. Genworth Canada differentiates itself through customer service excellence, innovative processing technology, and a robust risk management framework. For more than two decades, Genworth Canada has supported the housing market by providing thought leadership and a focus on the safety and soundness of the mortgage finance system. As at June 30th, 2016, Genworth Canada had \$6.4 billion total assets and \$3.6 billion shareholders' equity. Find out more at www.genworth.ca.

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