



Genworth®
Financial

Risk Retention and Qualified Residential Mortgage

SEC

March 15, 2011

Risk Retention and Qualified Residential Mortgage

- **Dodd-Frank Wall Street Reform and Consumer Protection Act Creates New Obligation for Securitizers to Retain Interest in Securitized Assets**
- **Bill Directs Regulators to Exempt Qualified Residential Mortgages (QRM)**
- **Regulators Must Define a QRM Taking into Consideration Underwriting and Product Features That Result in a Lower Risk of Default Such as:**
 - Documented and verified financial resources
 - Standards for: a) residual income after meeting all obligations; b) ratio of housing payment to income; c) ratio of all installment payments to income
 - Standards and features that mitigate the payment shock of ARMs
 - Mortgage guaranty insurance (or other insurance or credit enhancement) obtained *at the time of origination* to the extent such insurance/credit enhancement reduces the risk of default.
 - Prohibitions/restrictions on balloon payments, negative amortization, prepay penalties, interest only & other similar high risk features

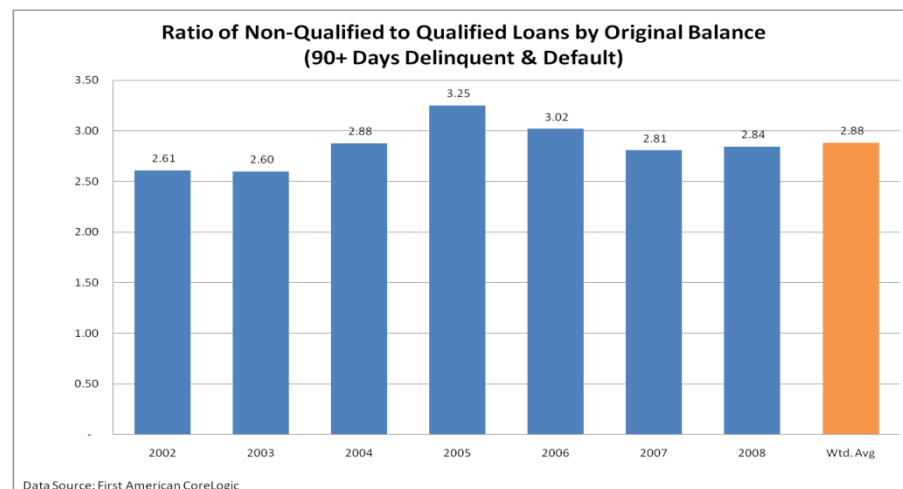
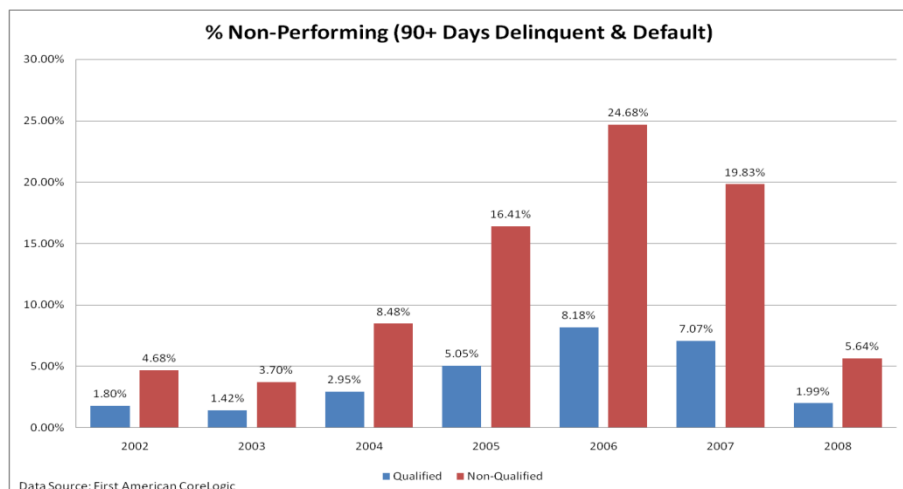
Data Clearly Demonstrates:

- A Qualified Mortgage standard mitigates the risk of default
- A Minimum Downpayment Requirement is Unnecessary
- On low down payment loans, Insured Loans have a lower risk of default than comparable Piggyback (uninsured) Loans

Qualified Mortgage Study

➤ A Study of Performance by Vertical Capital Solutions using CoreLogic Servicing Dataset Reveals that “Qualified Mortgages” Significantly Outperformed “Non-Qualified Mortgages”, Based on the Underwriting Standards Below:

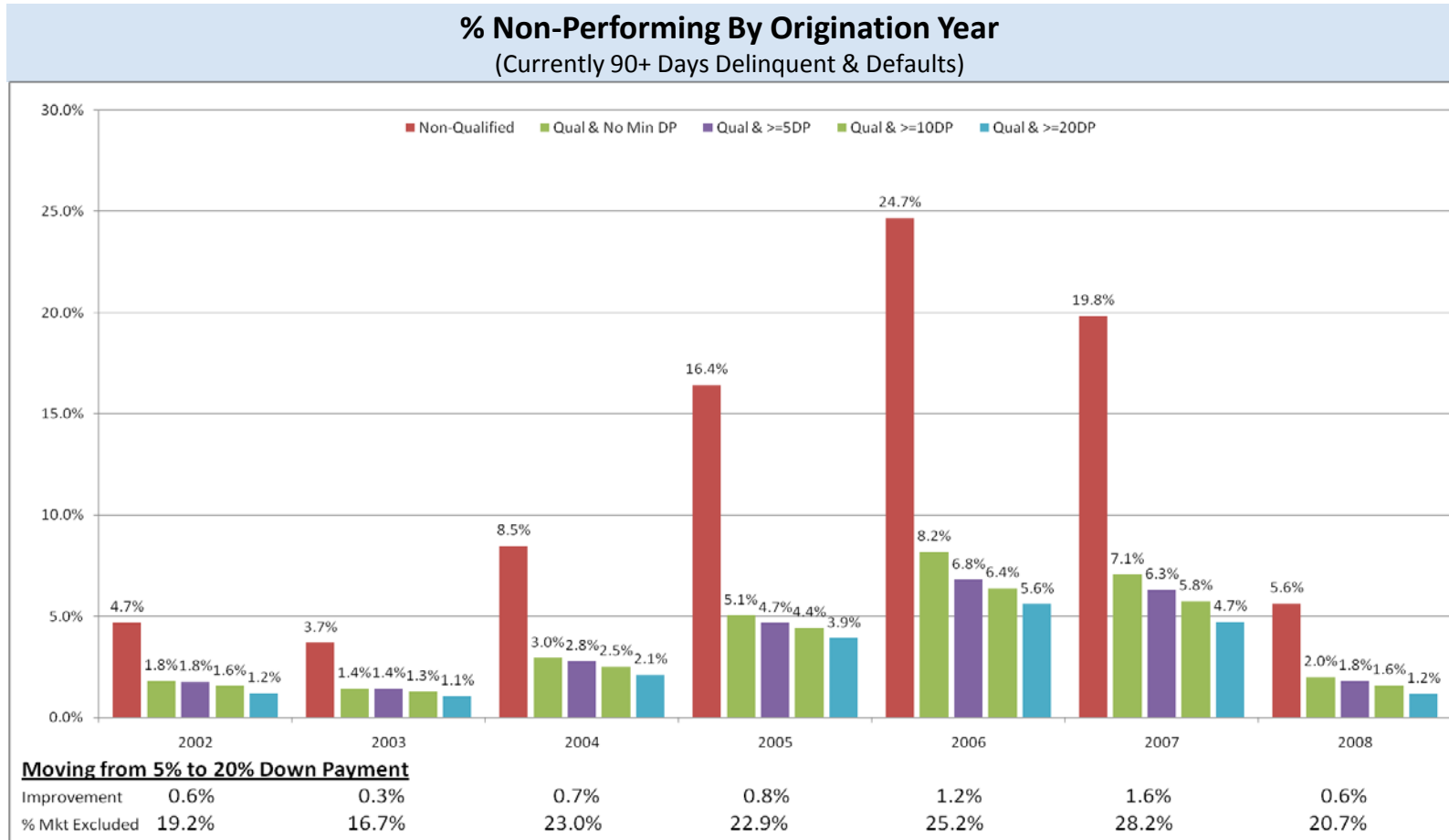
- Fully Documented Income & Assets;
- Total Debt-To-Income \leq 41%;
- 7/1 ARM's & Greater or Fixed Rate;
- Loans with a CLTV $>$ 80% must carry MI
- No Balloon; No Interest Only; No Negative Amortization; Term \leq 360 months
- Allow ALL Levels of Down Payment and Credit Score



Qualified Mortgages Clearly Have Lower Risk of Default by a Factor of Nearly 3:1

Downpayment Impact on Qualified Loans

- Genworth Further Analyzed Performance of Qualified Loans with 5% 10% and 20% Down Payment Requirements
 - A Qualified Standard (incl. MI) Results in Sustainable Performance with No Downpayment Minimum Necessary



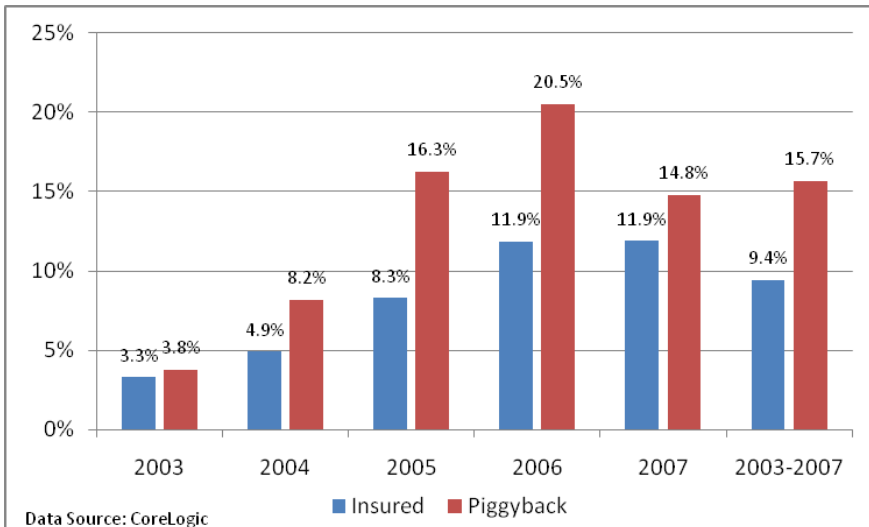
Mandatory Down Payments Materially Shrink Market with Only Minimal Performance Improvement

Insured Loan Study

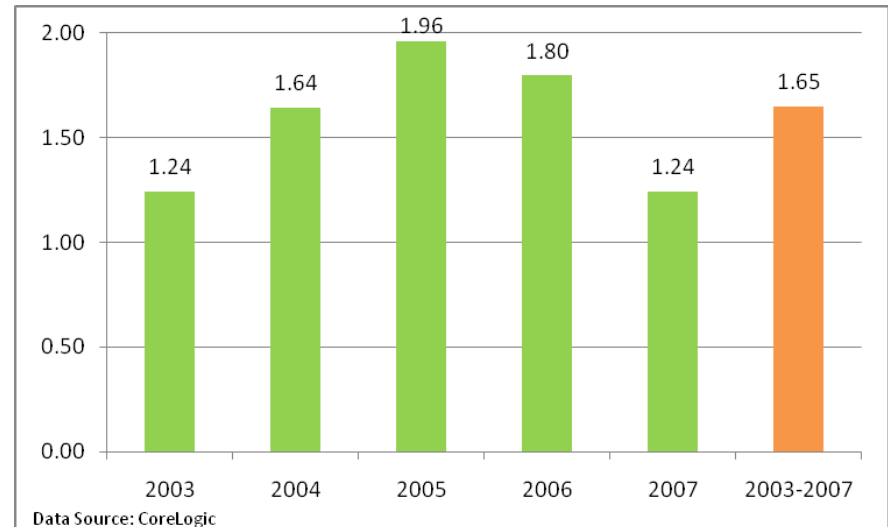
➤ Genworth Analyzed Nearly 5 million Loans in CoreLogic Dataset and Compared Performance of Insured Loans Versus Comparable Piggyback Loans Controlling for:

- Origination Years (2003-2007)
- FICO score
- Combined Loan-To-Value (CLTV)
- US Census Region
- Loan Purpose
- Documentation Levels

% Non-Performing By Origination Year
(Currently 90+ Days Delinquent & Defaults)

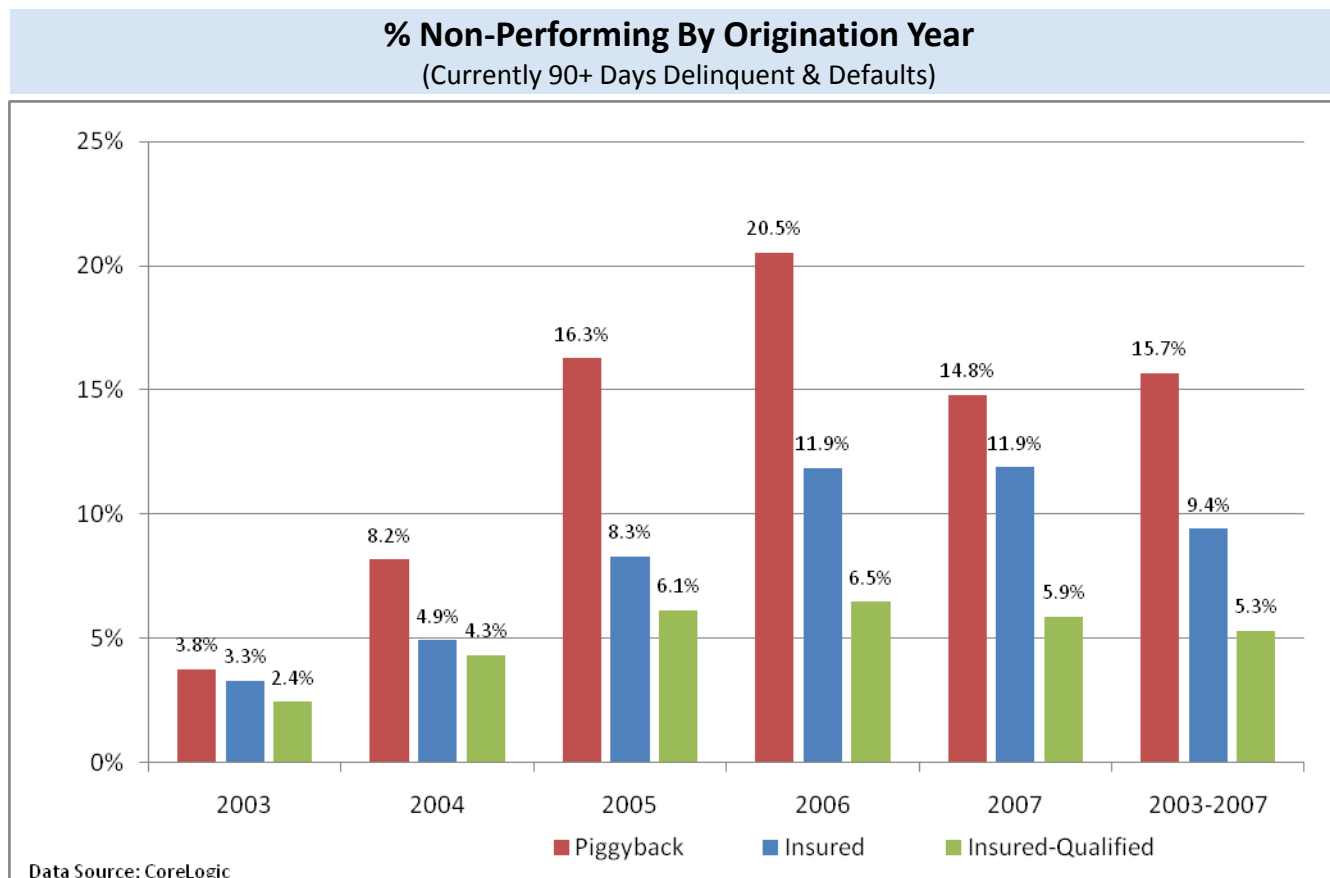


Ratios Of Piggyback Non-Performing To Insured
Piggyback % Non-Performing / Insured % Non-Performing Rate



End Result ... Insured Low Downpayment Loans Have Lower Risk of Default than Comparable Piggyback Loans

Qualified Insured Loans



“Qualified” Insured Loans Have Performed at Sustainable Default Rates Even Through the Downturn