

# International Trends In The Regulation Of Mortgage Markets

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# Agenda

**Introduction – Genworth Global Mortgage Insurance**

**“Global” Trends In Regulation**

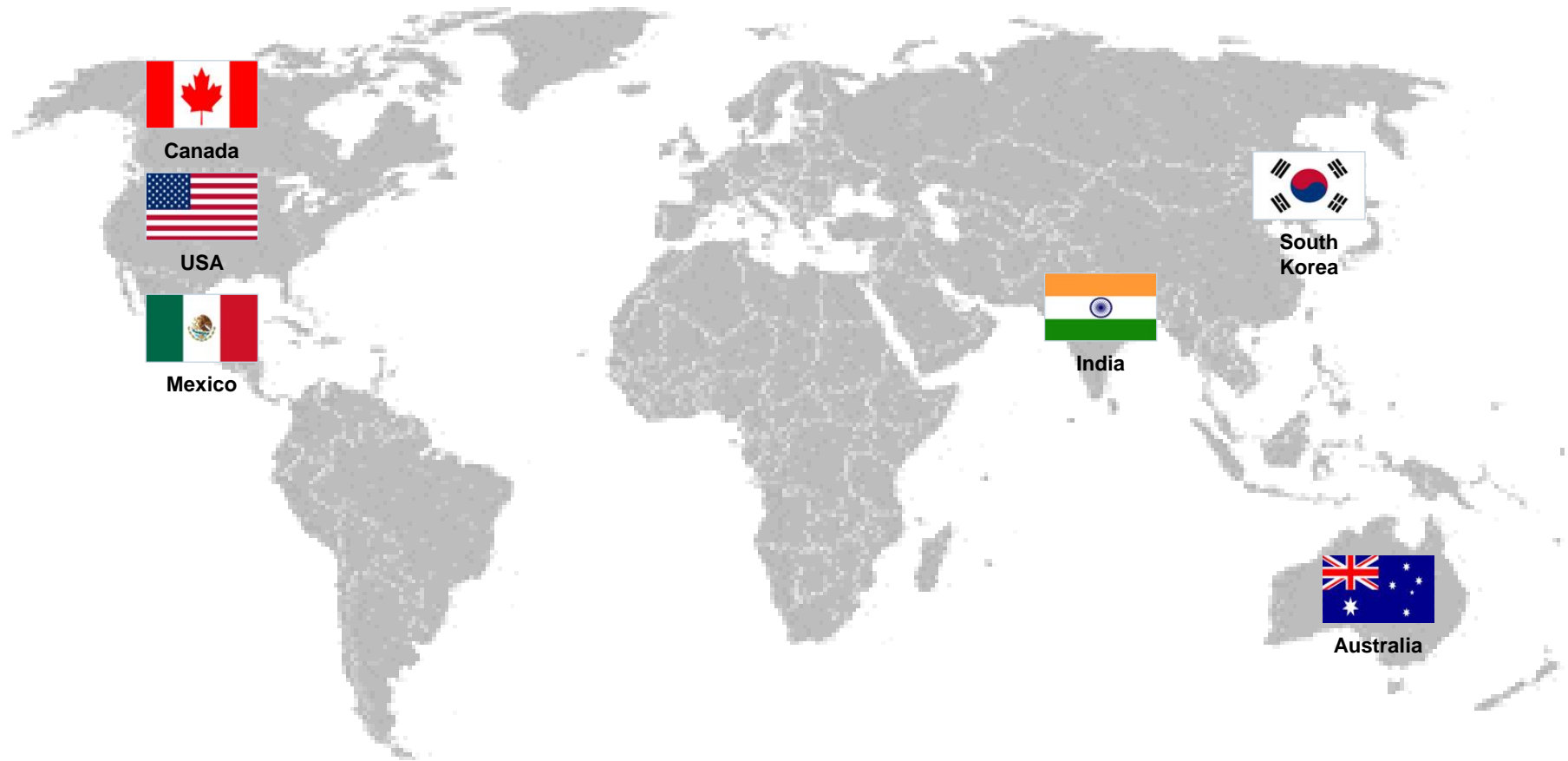
**How To Protect The Borrower?**

**FSB Principles Of Sound Underwriting**

**Debt-Service Coverage Regulations: When, How, Why?**

**Wrap Up**

# Genworth Global Mortgage Insurance



**A Leading Global Mortgage Insurer  
Presence In Six Countries**

# Global Trends in Mortgage Regulations

## Data Privacy & Information Security

Australia: 2012 Amendment To The Privacy Act (1998)

EU: 2016 General Data Protection Regulation (GDPR)

## Management Of “Multi-Speed” / “Dual Economies”

Australia: Commodity-Based Economies in WA and QLD vs. Services-Based SYD

Canada: Demand Outstripping Supply in GTA & GVA vs. Oil-Impacted Alberta

## Responsible Mortgage Lending Practices

*Policies that protect the interests of consumers of financial products and services contribute to enhanced risk management by households, more competitive financial markets, and greater financial stability (Financial Stability Board, October 2011)*

# How To Protect The Borrower?

**Disclosure Rules**

**Price Controls**

**Contract Controls**

**Underwriting Controls**

What Constitutes “Good” Underwriting?

Source: Dr. Jack Guttentag, Hofinet: <http://hofinet.org/themes/theme.aspx?tid=3&id=71>

# FSB Principles Of Sound Underwriting

**Effective Verification Of Income / Other Fin. Information**

**Reasonable Debt Service Coverage**

**Appropriate Loan-To-Value Ratios**

**Effective Collateral Management**

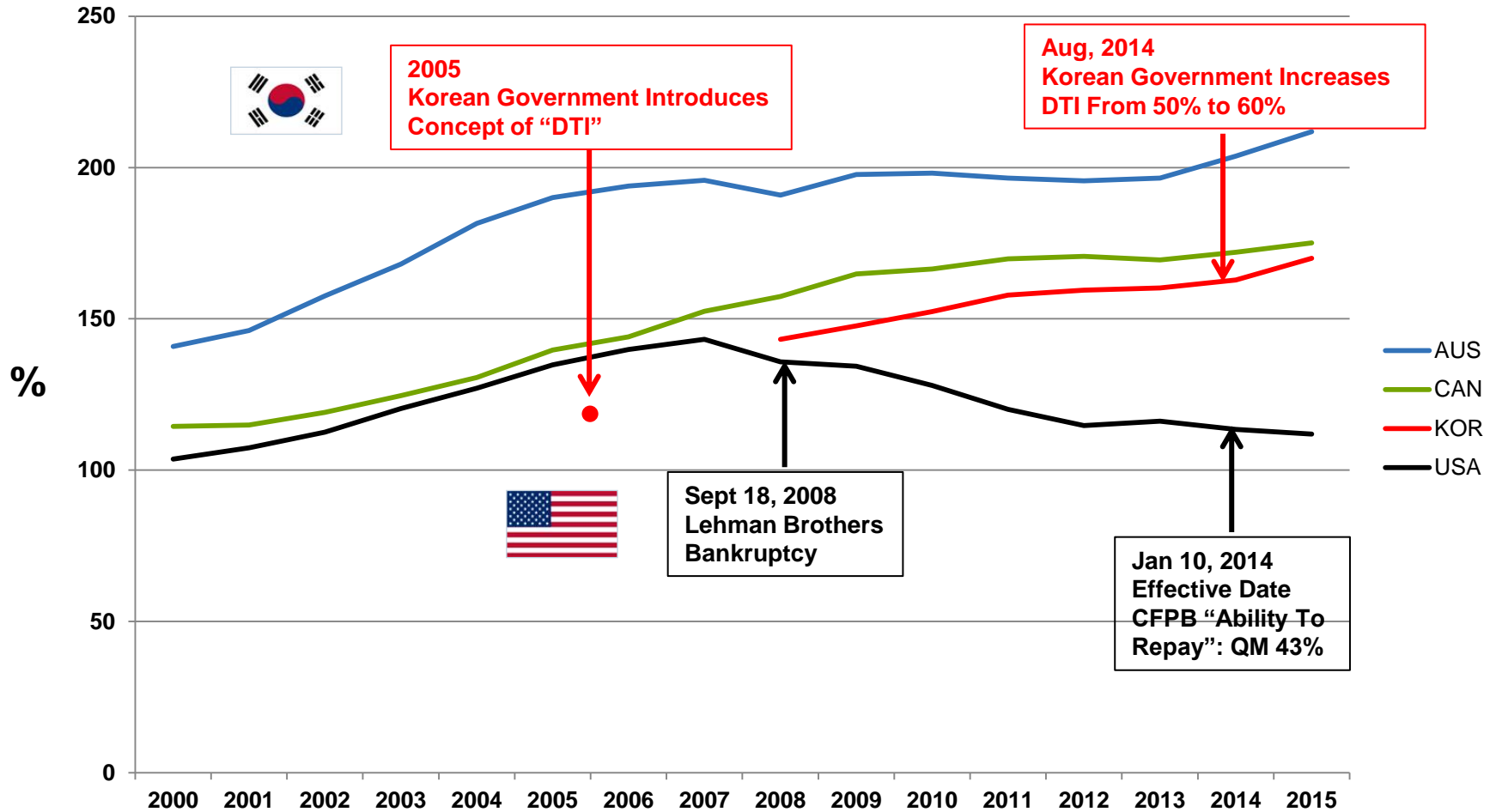
**Prudent Use Of Mortgage Insurance**

Source: Financial Stability Board, April 2012, "FSB Principles for Sound Residential Mortgage Underwriting Practices"

# What Is “Reasonable?”



## HH Debt As % Of Net Disposable Income (OECD)

Source: OECD (2017), Household debt (indicator). doi: 10.1787/f03b6469-en (Accessed on 19 June 2017)



When To Tighten Or Loosen Driven By Nat’l Environment

# Recent Debt Service Coverage Changes

	Effective Date	Regulator	Scope	Cap	Buffer
 Canada	Nov. 30, 2016	Dept. of Finance OSFI	All Insured Mortgages. Including 5- Year Fixed	GDS: 39% TDS: 44%	Required to use the higher of the contract rate or the Bank of Canada Posted Rate
 Australia	March 31, 2017	APRA	All Deposit Taking Institutions (ADI's)	N/A	Required to use 200bps above the loan product minimum or 7%, which ever is higher to assess serviceability



**How To Tighten Driven By Product And Intent**

Source: Department of Finance Canada; APRA



# Debt Service Coverage Emerging Markets

## Effective Verification Of Income ...

	Formal	Informal
 Mexico	<b>Common Practice</b> Infonavit 20-32% (PTI) Fovisste 20-30% (PTI)  Banks 25-30% (PTI) 40-45% (DTI)	N/A
 India	<b>Common Practice</b> ~>50% on Documented Income	<b>Varies ... Innovative Ways To Verify Income</b> <b>Strong Government Push ... Housing For All</b> <b>By 2022</b>

**Effective Verification Must Precede DSC Caps / Buffers**

Source: Genworth

# Wrap Up

**DTI: Consumer Protection Tool Or Macroprudential Lever?**

**What Is The Best Tool: Caps? Buffers? Both? Other?**

**Are These Tools / Levers Effective?**

**When Is The Best Time To Implement?**

**One Of Many Tools In The Toolbox**



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**Thank You!**