



METHODOLOGY

Fixed Rate Home Loans Awards

What are the CANSTAR Fixed Rate Home Loans Awards?

CANSTAR's *Fixed Rate Home Loans Awards* use a sophisticated and unique award methodology that compares both cost and features across a lender's fixed rate home loan offering. This is a transparent analysis comparing the various offerings available in the Australian home loan market.

The CANSTAR *Fixed Rate Home Loans Awards* recognise the lenders across three segments (banks, customer-owned and non-banks) who are offering both competitive prices on their fixed rate loans and product flexibility. Along with the interest rates, product flexibility is very important to allow those who choose to fix their loan the ability to make additional repayments, split their loan and access redraw and/or offset facilities.

What types of lenders are considered?

The following lender groups are considered, with the top ranking lender receiving the CANSTAR Fixed Home Loan Award for that segment:

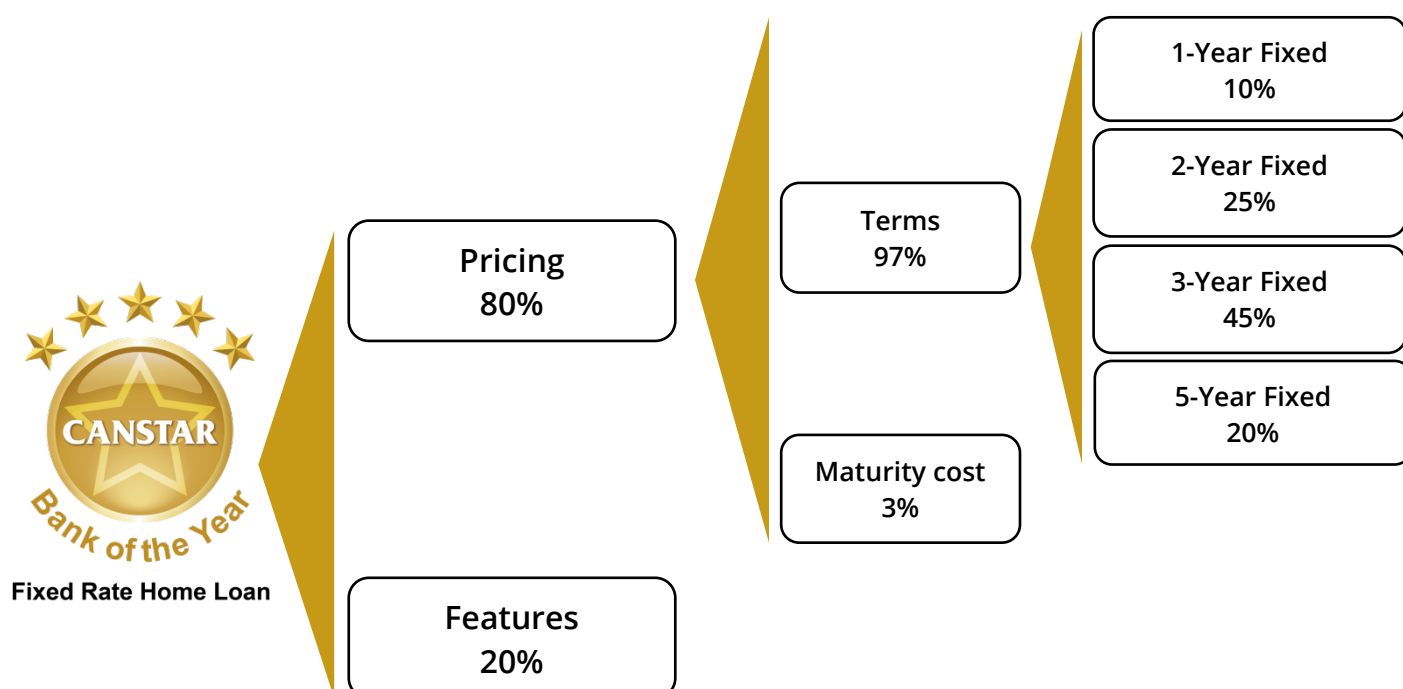
- Banks (Bank of the Year – Fixed Rate Home Loans)
- Customer-owned includes mutual banks, credit unions and building societies (Customer Owned Institution of the Year – Fixed Rate Home Loans)
- Non-banks (Non-Bank of the Year – Fixed Rate Home Loans)

How are the 'awards' calculated?

Each lender reviewed for the CANSTAR *Fixed Rate Home Loans Awards* is awarded points for its comparative Pricing and for the array of positive Features attached to its offering. Points are aggregated to achieve a Pricing score and a Feature score.

To arrive at the total score, CANSTAR applies a weight (w) against the Pricing and Feature scores. This method can be summarised as:

$$\text{TOTAL SCORE} = \text{PRICING} + \text{FEATURES SCORE}$$



Price score

The pricing score is broken into two sections – (1) Terms and (2) Maturity cost.

Terms

The terms component of the pricing score considers the interest rates and fee structures of each lender's fixed rate home loan offering across four fixed terms. The calculation is a total cost scenario on each of the four terms. The period of each scenario runs for the duration of the fixed period. Any applicable fees are applied to the calculation, including upfront and ongoing fees.

This calculation is applied against interest rates available for the past six months. Each month is weighted equally. The scenario loan is based on a \$300,000 loan taken over 25 years at an LVR of 80%.

Maturity cost

The maturity cost component of the pricing score considers the costs at the end of the fixed period. The costs included are the cost to refix (i.e. fee to rollover into another fixed period) and discharge (cost to discharge the loan from the institution). Both of the fees are worth 50% of the maturity cost component.

Feature score

The feature component takes into account more than 200 product features and allocated points. These product features are grouped into seven different categories with weights given to each relevant area. The following table outlines the weightings of each of the feature categories:

Category	Weight
Product functionality	38%
Additional repayments	35%
Redraw facility	25%
Offset facility	20%
Split facility	10%
Top up facility	5%
Portability	5%
Loan terms	35%
Lending terms	80%
Security requirements	5%
Guarantee options	5%
Construction loan	10%
Fixed interest details	10%
Interest in advance	5%
Loan fees	5%
Loan approval	5%
Lending areas	2%

Does CANSTAR rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

How often is the calculation for this award undertaken?

This award is fully recalculated every 12 months, based on the latest features offered by each institution. CANSTAR also monitors rate changes on an ongoing basis. The CANSTAR *Fixed Rate Home Loans Awards* will be decided once a year.

Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at www.canstar.com.au if you would like to view the latest star ratings reports of interest.

- Account based pensions
- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- Health insurance
- Home & contents
- Home loans
- Landlord insurance
- Life insurance
- Managed investments
- Margin lending
- Online share trading
- Package banking
- Personal loans
- Pet insurance
- Reward programs
- SMSF loans
- Superannuation
- Term deposits
- Travel insurance
- Travel money cards



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