



METHODOLOGY

LOW DOC HOME LOANS

What is the CANSTAR Low Doc Home Loan Star Rating?

CANSTAR's Low Doc Home Loan Star Rating uses a sophisticated and unique rating methodology that compares both Cost and Features across low doc products. CANSTAR star ratings represent a shortlist of financial products, enabling consumers to narrow their search to products that have been assessed and ranked. CANSTAR Low Doc Home Loan Star Ratings are a transparent analysis comparing all types of home loan products.

Ratings range from five – to one –star. Five star rated products have been assessed as offering outstanding value to consumers. Not rated products could not be assigned a star rating as they have not been in the market for six months; these products will be formally rated in the next report once more historical data is available.

What types of products are evaluated by CANSTAR Low Doc Home Loan Star Rating?

The following products are assessed in the rating, in the form of 3 different borrower profiles:

Product Type	Home Loan	Line of Credit
Variable rate	✓	✓
3 Year Fixed rate	✓	-

Products specific to certain groups or with restrictions on eligibility are not included in the rating. Low Doc Home Loans that do not conform to the pricing scenario are also not included so as to ensure like-for-like comparison.

How is the CANSTAR Low Doc Home Loan Star Rating calculated?

Each Low Doc Home Loan is reviewed for the CANSTAR Low Doc Home Loan Star Rating Report is awarded points for its comparative Pricing and for the array of positive Features attached to the product. Points are aggregated to achieve a Pricing score and a Feature score.

To arrive at the total score, CANSTAR applied a weight (w) against the Pricing and Features scores. The weight reflects the relative significance of either costs or features in determining the best-value home loan product. This method can be summarised as follows:

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





Pricing Score
50%



Total Cost

Feature Score
50%



Product Features

The weights for the different profiles are as follows:

	Pricing Score	Feature Score
Variable Rate Home Loan	50%	50%
3 Year Fixed Home Loan	50%	50%
Line of Credit	50%	50%

Pricing Score

The purpose of the *Low Doc Home Loan Star Rating* is to determine which products are best suited for the self-employed. The pricing score considers the availability of various borrowing purposes through several total cost scenarios (as noted in the table below). The application of this structure recognises products which are both available for different borrowing purposes as well as providing a low cost option.

A product will only be considered within the scenario if the loan is available for that purpose. If a product is not available for any of the borrowing scenarios it will receive a score of zero. The borrowing scenarios are as follows:

Borrowing Scenario	Weight
Available for personal use	60%
Available for refinancing existing debt	20%
Available to consolidate debt	10%
Available for business use	5%
Available for share purchase	5%

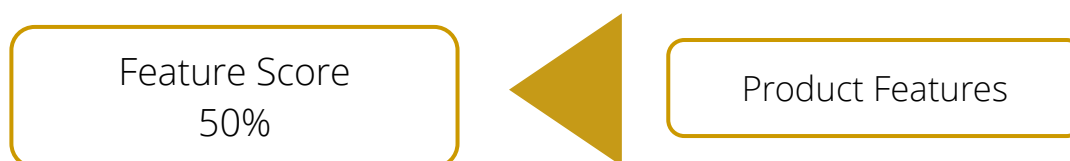
CANSTAR accounts for both current and historical average interest rates in the calculation of the Total Cost. Each of the six months is weighted equally to arrive at the average interest rate over the last six months. The Total Cost incorporates interest rate, upfront, ongoing, discharge fees and based on the loan amount of \$350,000 for the following terms:

Profile	Loan Term
Variable Rate Home Loan	25 years
Line of Credit	25 years
3 Year Fixed Home Loan*	3 years and 2 months

*Based on the term of the loan and a 2 months (60 day) revert rate. Repayments are calculated on 25 year loan period, however only 3 years and 2 months repayments are incorporated into Total Cost Calculation

Note: Revert Rate is a rate the product reverts to after the fixed rate term has expired.

Feature Score



Category	Variable Home Loan	Fixed Home Loan	Line of Credit
Lending Criteria	55%	55%	55%
Lending Terms	20%	20%	10%
Loan Purpose*	35%	35%	35%
Loan Approval	25%	25%	25%
Guarantee Options	10%	10%	10%
Security Requirements	10%	10%	5%
Line of Credit Details	-	-	15%
Product Functionality	30%	20%	30%
Additional Repayments	35%	35%	-
Redraw Facility	25%	25%	55%
Offset Facility	15%	15%	-
Top Up Facility	10%	10%	-
Split Facility	5%	5%	35%
Portability	5%	5%	10%
Construction Loan	5%	5%	-
Fixed Rate	-	10%	-
Rate Details	-	100%	-
Loan Fees	10%	10%	10%
Switch Fees	55%	55%	55%
Fees & Charges	45%	45%	45%
Loan Application	5%	5%	5%

*Loan Purpose is compiled of two sub categories

- Below Lenders Mortgage Insurance (LMI) – 60%
- Above Lenders Mortgage Insurance (LMI) – 40%



How often are products reviewed for awards or star ratings purposes?

Awards are fully recalculated every 12 months, based on the latest submissions from each institution. CANSTAR also monitors changes on an ongoing basis.

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 and awards. However this process is not always possible and it may be that not every product in the market is included nor every feature compared that is relevant to you.

Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings and awards 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. Access the CANSTAR website at www.canstar.com.au if you would like to view the latest star ratings and awards reports of interest.



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

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