



METHODOLOGY

SMSF LOANS

What is the CANSTAR SMSF Loan Star Rating?

CANSTAR SMSF loan star ratings is a sophisticated and unique ratings methodology that compares both Cost and Features across SMSF loan products. CANSTAR star ratings represent a shortlist of financial products, enabling consumers to narrow their search to products. CANSTAR SMSF Loan Star Ratings are a transparent analysis comparing different types of SMSF Loans.

What types of products are evaluated by CANSTAR SMSF Loan Star Rating?

The following products are assessed in the rating, in the form of 5 different borrower profiles:



SMSF Loan

Variable

1 year fixed

2 year fixed

3 year fixed

5 year fixed

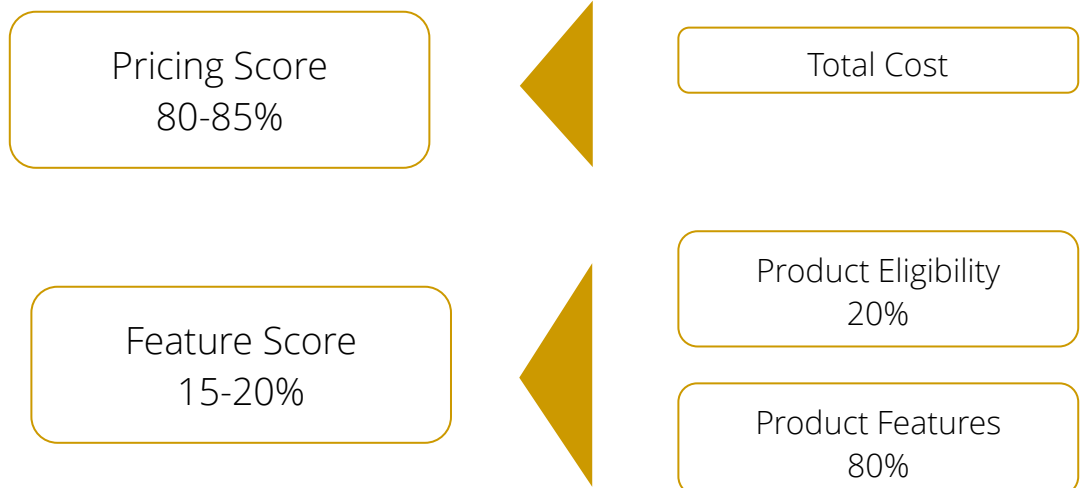
How is the CANSTAR SMSF Loan Star Rating calculated?

Each home loan reviewed for the CANSTAR SMSF Loans Star Ratings 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 applies a weight (w) against the Pricing score and Feature score. This weight will vary from profile to profile and will reflect the relative importance of either costs or features in determining outstanding value SMSF Loan products. This method can be summarised as:

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





The weights for the different profiles are as follows:

	Pricing Score	Feature Score
SMSF Variable Loan	80%	20%
SMSF Fixed Loan	85%	15%

Pricing Score

The Pricing Score is based on the total cost of \$400,000 loan. Each scenario assumes a 70% Loan to Value Ratio (LVR) and a 20 year term. The total cost includes interest cost, and upfront, ongoing and discharge fees. The upfront fee includes the additional costs associated with the loan documentation and the legal review of the SMSF trust deed and bare trust deed.

For fixed rate SMSF loans, the fixed cost calculation is based on at least one rollover of the fixed rate loan; fixed cost scenario also incorporates a 2 month (60 day) revert rate (rate the product reverts to after the fixed term has expired)

Product Category	Number of Rollovers	Loan Term
1 Year Fixed	1	2 years
2 Year Fixed	1	4 years
3 Year Fixed	1	6 years
5 Year Fixed	1	10 years

Feature Score

The Feature component is assessed across two areas: Product Eligibility and Product Features.



Product Eligibility

The Product Eligibility category considers elements taken into account when a customer first takes out an SMSF loan. Examples of features within the categories are outlined below:

Category	Weight	Description/Examples
Parties	25%	Trustee, Guarantor, Custodian
Particulars	35%	LVRs, Refinance/Additional Borrowings for Repairs and Maintenance
Credit Criteria	40%	% Rental Income, Years of Voluntary Contributions

Product Features

The Product Feature category considers positive traits promoting flexibility and convenience for SMSF trustees when looking for an SMSF loan to suit their needs. Examples of features within the feature categories are outlined below

Features Category	Variable	Fixed
Loan Terms	50%	50%
Lending Terms	90%	90%
Security Requirements	10%	10%
Product Functionality	30%	20%
Additional Repayments	30%	45%
Split Loan Facility	35%	55%
Offset Facility	35%	-
Fixed Rate	-	10%
Rate Details	-	50%
Interest in Advance	-	50%
Loan Fees	10%	10%
Switch Fees	60%	50%
Loan Fees	40%	50%
Loan Approval	5%	5%
Lending Areas	5%	5%

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

Star Ratings 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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