



Low Doc Home Loans

What is the CANSTAR Low Doc Home Loan Star Rating?

CANSTAR's Low Documentation (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?

CANSTAR recognises that consumers have different needs and wants when it comes to Low Doc Home Loans. Hence CANSTAR's Low Doc Home Loan Star Rating is aimed to provide consumers with results that suit their borrowing profile. Low Doc Loans included in the Star Rating are assessed across the following product types:



Residential Variable Rate Home Loan

Investment Variable Rate Home Loan

Residential 3 Year Fixed Home Loan

Investment 3 Year Fixed Home Loan

Line of Credit

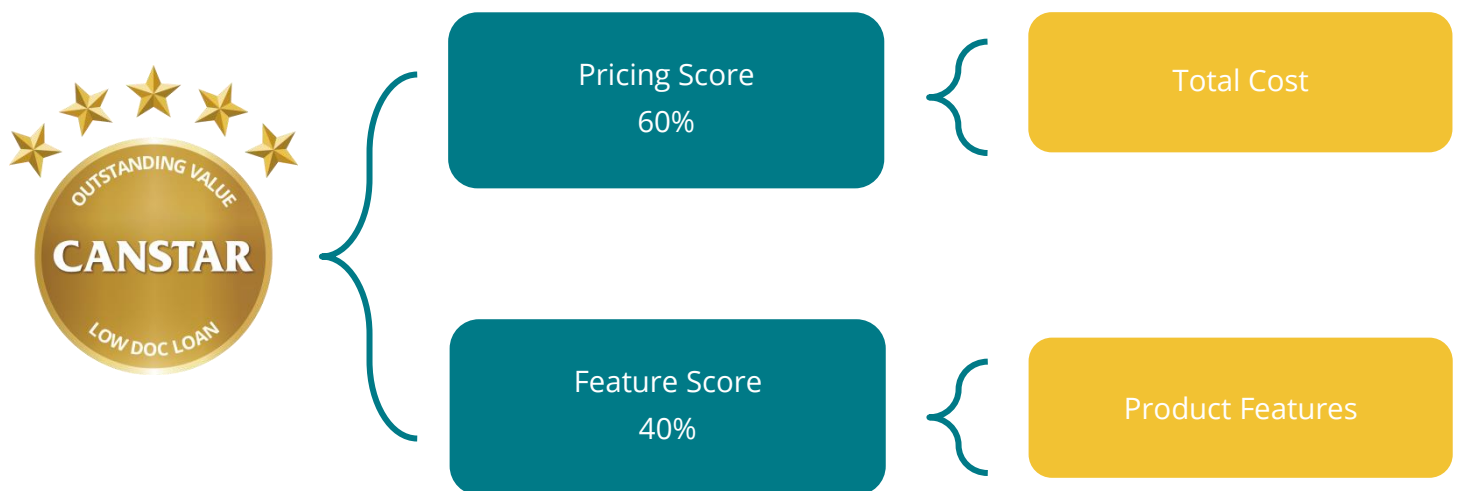
Products specific to certain groups or with restrictions on eligibility are not included in the rating. Low Doc Home Loans that do not conform to the pricing scenario are also not included so as to ensure like-for-like comparison.

How is the 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:

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



The weights for the different profiles are as follows:

	Pricing Score	Feature Score
Variable Rate Home Loan	60%	40%
Fixed Home Loan	60%	40%
Line of Credit	60%	40%

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:

Loan Purpose	Weight
Available for personal use	60%
Available for refinancing	25%
Available to consolidate debt	10%
Available for share purchase	5%

CANSTAR accounts for both current and six month 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 revert rate period of 2 months (60 day). 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



The features component takes into account more than 100 product features and allocated points. These product features are grouped into 5 different categories with weights given to each relevant area. The following table outlines the weightings of each of the feature categories per profile:

Category	Variable Home Loan	Fixed Home Loan	Line of Credit
Loan Terms	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	20%	35%	-
Redraw Facility	25%	25%	55%
Offset Facility	25%	15%	-
Top Up Facility	10%	10%	-
Split Facility	10%	5%	35%
Portability	5%	5%	10%
Construction Loan	5%	5%	-
Fixed Rate	-	10%	-
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%

Award

CANSTAR's Outstanding Value Low Doc Home Loan Award gives recognition to institutions offering a great value low doc loan. The award is based on the cumulative score and star rating performance across Residential and Investment Low Doc product types. Institutions are represented by their strongest performing products in each of the product types considered. The weights assigned to each product type are as follows:



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 complete coverage 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 are products reviewed for awards or star ratings purposes?

All ratings are fully recalculated every twelve months based on the latest features offered by each provider. CANSTAR also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazines, television, websites, etc.)

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

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