



METHODOLOGY

REVERSE MORTGAGES

What is the CANSTAR Reverse Mortgages Star Rating?

CANSTAR's Reverse Mortgages Star Rating uses a sophisticated and unique rating methodology that compares both Cost and Features across reverse mortgage 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 Reverse Mortgages Star Ratings are a transparent analysis comparing all types of reverse mortgage products.

What types of products are evaluated by CANSTAR Reverse Mortgage Star Rating?

For a Reverse Mortgage to be included in the CANSTAR Reverse Mortgage Star Rating it must meet certain criteria. Reverse Mortgages which are assessed in the Star Rating are variable rate mortgages which allow for a consumer to draw down funds as a lump sum, and the sum drawn can be used for any personal use.

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

How is the CANSTAR Reverse Mortgages Star Rating calculated?

Each mortgage is reviewed for the CANSTAR Reverse Mortgage Star Rating Report and 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
60%

Feature Score
40%

Total Cost

Product Features



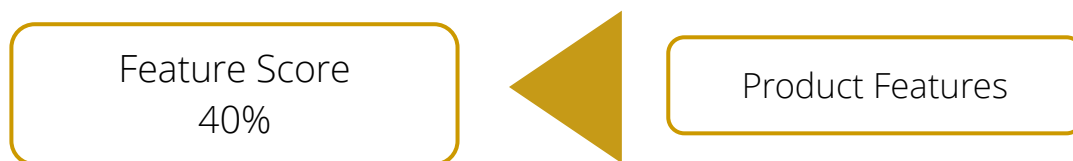
Pricing Score

The Pricing Score is based on the total cost of \$90,000 loan. Each scenario assumes a 15% Loan to Value Ratio (LVR) and a 10 year term. The total cost includes interest cost, and upfront, ongoing and discharge fees.

Total Cost
Based on \$90,000 loan
amount over 10 years at
15% LVR

For Reverse Mortgages interest rate is charged as per any other loan, except no repayments are made. Interest rate compounds over time and is added to the loan balance. The loan is repayable (fees and interest) at maturity.

Feature Score



The Feature score takes into account a number of features within five different categories, with individual features allocated points and each category, and subcategory assigned a weighting. The product with the highest features score is allocated the maximum score, with all remaining products within the profile scored against it. The feature categories and subcategories are as follows:

Category	Weight	Description
Loan Terms	40%	
Lending Terms	40%	Minimum loan amount, valuation details
Protected Equity	10%	Reserving specific equity amount from lender, term and conditions for protecting equity
Security Requirements	25%	Different types of securities which can be used for collateral
Specific Conditions	20%	Can property be rented out what is the default rate
Committed Funding	5%	Guaranteed future funding for instalment payment
Product Functionality	30%	
Offset Facility	25%	Mortgage offset account availability
Redraw Facility	25%	Redraw facility availability
Additional Repayments	15%	Flexibilities in making additional repayments
Split Facility*	10%	Ability to have different interest type, fee for split loans
Portability	10%	Can a same loan be used when moving houses
Top-up Facility	15%	Ability to top-up the loan
Default	5%	
Default Definition	50%	Events which may cause default
Action after default	50%	Specific action taken by lenders when borrower is in default
Loan Fees	10%	
Loan Application/Approval	15%	

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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