



Low Doc Home Loans

August 2017

What is the CANSTAR Low Doc Home Loan Award?

CANSTAR's Low Documentation (Low Doc) Home Loan Star Rating uses a sophisticated and unique rating methodology that compares both Price and Features across Low Doc products. CANSTAR awards the Low Doc Home Loan Award to the institution/s that provide the strongest combination of both Price and Features for Low Doc Home Loans available for both Residential and Investment purposes. CANSTAR Low Doc Home Loan Star Ratings are a transparent analysis comparing all types of home loan products.

Star 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 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 consider both borrowers for Residential purposes and Investment purposes. Only Variable rate options are considered.



Residential Variable Rate Home Loan

Investment Variable Rate Home Loan

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 cost 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 Feature 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:

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



Pricing Score

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 competitively priced 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 six months. The Total Cost incorporates interest rate, upfront, ongoing, discharge fees, and is based on the loan amount of \$350,000 for 25 years.

Feature Score



The features component takes into account more than 100 product features and allocated points. These product features are grouped into 4 different categories with weights given to each relevant area. The following table outlines the weightings of each of the feature category:

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

*Loan Purpose is compiled of two sub categories

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

Overall National Award

CANSTAR's Low Doc Home Loan Award gives recognition to institutions offering a great value Low Doc Home 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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