



METHODOLOGY

Fixed Rate Home Loan Award

SEPTEMBER 2019

What is the Canstar Fixed Rate Home Loan Award?

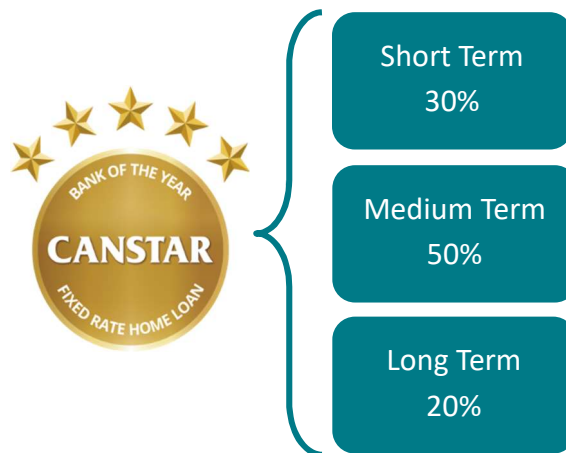
The Canstar Home Loan Star Ratings uses a sophisticated and unique methodology comparing the Cost and Features of a home loan to determine the products representing outstanding value. In conjunction with the Home Loans Star Rating, Canstar awards the Fixed Rate Home Loan Award to institutions that provide the strongest combination of fixed rate products across the Home Loan Star Ratings.

Canstar's Fixed Rate Home Loan Award uses the strength and robustness of the Home Loans Star Ratings to determine institutions that provide the strongest combination of products across two different consumer profiles (Owner Occupier and Investor) and four fixed rate terms (1, 2, 3 and 5 year fixed).

Please refer to the Home Loans Star rating methodology for more information about how the scores are assigned: www.canstar.com.au/home-loans/

How are the Canstar Fixed Rate Home Loan Awards calculated?

Canstar's Fixed Rate Home Loan Award recognises the strongest combination of fixed rate home loans across short, medium and long term fixed periods. Each lender reviewed for the Canstar Bank of the Year Fixed Rate Home Loan Award is awarded points for its comparative pricing and for the array of positive features attached to its offering in each of the loan terms considered. Points are aggregated to achieve a Price Score and a Feature Score. Points from each underlying profile are then combined to achieve a score for each of the fixed rate terms.



Category	Short Term*		Medium Term	Long Term
	1 Year	2 Year	3 Year	5 Year
Owner Occupier	70%		70%	70%
Price	85%		85%	85%
Features	15%		15%	15%
Investor	30%		30%	30%
Principal and Interest	50%		50%	50%
Price	85%		85%	85%
Features	15%		15%	15%
Interest Only	50%		50%	50%
Price	85%		85%	85%
Features	15%		15%	15%

*The Short Term category uses an institutions' best performing score from either 1 Year or 2 Year subcategories.

Price and feature weights applied to the Fixed Rate products are the same as the Home Loans Methodology



Price Score

Canstar accounts for both current and historical interest rates in the calculation of the pricing component of each product's overall score. Total Cost is determined by the loan size of \$350,000 and the loan to value ratio (LVR) of 80% for both Owner Occupied and Investment loans.

Total Cost is based on the following:

- Six months' interest rate historical information
- Interest cost plus upfront, ongoing and discharge fees
- At least one rollover of the fixed rate
- 60 Day period where a product reverts to a standard variable product interest rate (revert rate)

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

Feature Score

The Feature Score of each home loan takes into account more than 200 product features and is comprised of 6 categories which follow a customer's journey through the life of the home loan. The first stage of the journey is research, followed by application. Products are then assessed based on the day-to-day management of the product, any variations to the product that may be required and the availability of support throughout the life of the loan and the ease of having the loan discharged. Scores are then indexed against their peers and weighted according to the following table:

	Owner Occupier	Investor
	Fixed	Fixed
Research	5%	5%
Application	20%	20%
Purpose	20%	20%
Application Channels	20%	20%
Pre-approval	15%	15%
Fixed Interest	15%	15%
Guarantee and Deposit Requirements	15%	15%
Security Options	15%	15%
Management	35%	35%
Repayment	20%	25%
Redrawing and Transactional	40%	25%
Offset Account Facilities	30%	25%
Line of Credit	0%	0%
Construction Loan	5%	5%
Interest Paid in Advance	0%	15%
Online Self Service	5%	5%
Variation	20%	20%
Split and Switch Facilities	34%	34%
Top Up Facilities	33%	33%
Portability	33%	33%
Support	15%	15%
Discharge	5%	5%



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

The Fixed Rate Home Loan Award is recalculated every 12 months based on the latest rates and features offered by each institution. Canstar also monitors rate 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. However, this process 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.

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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