



PERSONAL AND CAR LOAN STAR RATINGS

METHODOLOGY

November 2019

What are the Canstar Personal and Car Loan Star Ratings?

Canstar's *Personal and Car Loans Star Ratings* use a sophisticated rating methodology, unique to Canstar, which compares both cost and features across personal loan products available to Australian consumers.

Canstar's *Personal and Car Loan Star Ratings* represent a shortlist of products, enabling consumers to narrow their search to products that have been assessed and ranked. Ratings range from five to one star; five-star rated products have been assessed as offering outstanding value to consumers.

Eligibility Requirements

To be eligible for a Star Rating, products must have been available within the market for at least six months. Those products with less than six months of historical information can achieve an indicative rating. Products with an indicative rating will be allocated a Star Rating in the next rating period, once at least six months of historical data is available.

Borrower Profiles

Canstar appreciates the clear distinction of borrowers seeking personal loans as two separate groups. One group uses personal loans for financing motor vehicle purchases while the other group uses personal loans to finance or refinance other scenarios including debt consolidation or holidays. Borrowers seeking a personal loan for non-automotive intentions may seek either a secured or unsecured loan product depending on their individual needs and circumstances. The Canstar *Personal and Car Loan Star Ratings* methodology has been tailored to reflect the distinction between these groups.

Consumer Profile	Description
New Car Loan	<ul style="list-style-type: none"> Available for the purchase of a motor vehicle Be of at least \$25,000 in value Loan terms of 5 years.
Used Car Loan	<ul style="list-style-type: none"> Available for the purchase of a motor vehicle Be of at least \$15,000 in value Loan terms of 5 years.
Unsecured Personal Loan	<ul style="list-style-type: none"> Available for either debt consolidation or holidays, Be of at least \$15,000 in value Loan terms of 3 years
Secured Personal Loan	<ul style="list-style-type: none"> Available for either debt consolidation or holidays, Be of at least \$20,000 in value Loan terms of 3 years Require a security for the loan

Tiered Products

Tiered products, including those with varying fees, principle amounts, terms and rates depending on the applicant's individual circumstances or credit rating are assessed on their individual tiers. To ensure products are rated on a like-for-like basis, tiered products are additionally assessed at a product level. This assessment is conducted using weighted average interest rates and fees where

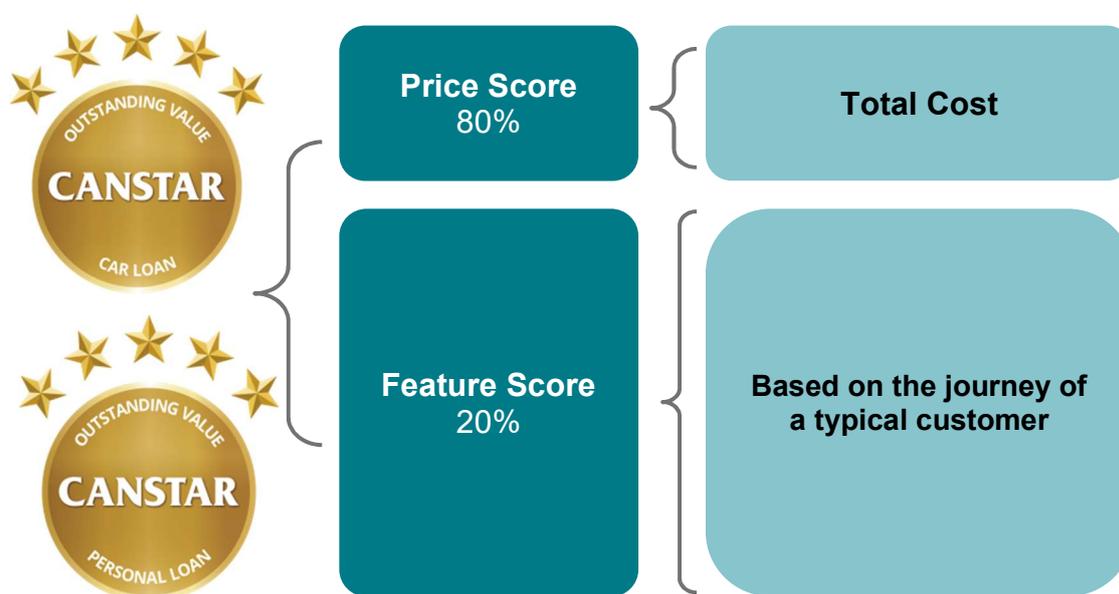
applicable based on the proportion of each lender's book sitting within each tier. This offers a representation of what a cross section of consumers would receive when applying for these loans. Where lender specific book weights are not available, the product is assessed using the midpoint rates and fees across all tiers considered.

Star Ratings Methodology

Each product reviewed for Canstar's *Personal and Car Loan Star Ratings* is awarded points for its comparative pricing, and for the array of positive features attached to the product. These features include application and settlement, product management, customer service and loan closure. Points are aggregated to achieve a Price Score and a Feature Score.

To arrive at the Total Score, Canstar applies a weight against both the Price and Feature Scores. This weight reflects the relative importance of either costs or features in determining the best product. This method can be summarised as:

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



Price Score

Canstar compares both current and historical loan pricing data to calculate the total cost component of each product's price score.

Included in the total cost is; the interest rate, upfront fees and ongoing fees, which are used to calculate the total cost to repay the loan for the scenario's detailed below. For car loans we also take into consideration any one-off documentation & release fees if applicable.

Products with interest rates tiered based on loan principal and term are considered. Where a product has a rate range, the midpoint rate is taken into consideration during calculations. The interest rate incorporated into the calculation of each products total cost is the equal weighted average interest rate for the applicable six month period.

Category	Loan Amount	Term
New Car Loan	\$25,000	5 Years
Used Car Loan	\$15,000	5 Years
Secured Personal Loan	\$20,000	3 Years
Unsecured Personal Loan	\$15,000	3 Years

Feature Score

The Feature Score considers a number of features across four different categories, with individual elements allocated points and each category, and subcategory, assigned a weighting. The product with the highest feature score is allocated the maximum score, with all remaining products indexed against it.

Feature Category	Car Loans	Secured Personal Loan	Unsecured Personal Loan	Description
Research and Calculators	5%			Availability of information and calculators regarding the product
Application and Settlement	45%			Product features, and ease of application process including personal identification, approval and settlement
Loan Purpose	-	15%	35%	Availability for different purposes
Application, Pre-approval and Identification	30%	20%	20%	Application channels, pre-approval and pre-approval time frame
Approval Requirements and Terms	30%	30%	20%	Loan terms, eligibility and deposit requirements
Security Options	20%	20%	-	Security requirements and associated fees
Settlement and Drawdown	20%	15%	25%	Settlement, approval and drawdown timeframes
Management	30%			Management of product during loan life including repayment, redraw and online self service
Loan Repayment	45%			Repayment requirements, repayment options, missed payment fees, early repayment fees
Redraw, Top Up, Offset and Switching Facilities	40%			Availability, conditions and fees of offset, redraw and top up and switching facilities
Online Self Service	15%			View balance online, statement options, cost of ordering paper statements
Customer Service and Support	10%			Online support and call centre operations
Loan Closure	10%			Ease of closing loan facility

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.

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, and the results are published in a variety of mediums (newspapers, magazines, television, websites, etc). Canstar also monitors changes on an ongoing basis.

How are the stars awarded?

The total score received for each profile ranks the products. Star Ratings are then awarded based on the distribution of the scores, with the objective being to award the top 5-10% of products with the Canstar five-star rating.

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.



- 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
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- Business banking
- Credit cards
- First home buyer
- Home loans
- Managed investments
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- Youth banking

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