



What is the Canstar Home Loan Star Rating?

Canstar Home Loan Star Ratings uses a sophisticated and unique ratings methodology that compares both Price and Features across home loan products. Canstar Star Ratings represent a shortlist of financial products, enabling consumers to narrow their search to products that have been assessed and rated. Canstar Home Loan Star Ratings are a transparent analysis comparing all types of home loan products.

Ratings range from five to one-star. 5-Star rated products have been assessed as offering outstanding value to consumers. Rising Stars are products that would be rated 5-Star but 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.

Eligibility Requirements

To be eligible for a star rating, the product must have been available in the market for six months and information required to complete the review made available to Canstar. If a product does not meet the six-month requirement it may be eligible to receive a 'Rising Star' if its relative performance is similar to a 5-Star rated product. In the event the required information is not available to Canstar to complete its review, the product will be noted as 'Not Rated'.

How is the Canstar Home Loans Star Rating structured?

Canstar Home Loan Star Ratings consists of two separate star ratings, individual and overall profile star ratings. The Individual Profile Star Ratings analyse performance of home loans based on different loan amounts, product types and consumer profiles. The overall profile star ratings represent the cumulative performance of an institution (within certain categories) using the individual profile outcomes for the best performing product. The process for these two star ratings employs a separate methodology consistent with the price and features model of the Canstar star ratings.

Individual Profile Star Rating

Canstar recognises that consumers have different needs and wants when it comes to Home Loans. Canstar's Individual Profile Star Rating has identified particular consumer groups where products are analysed based on different loan amounts and product types so a consumer is able to identify a shortlist of products that are suited to their individual needs.

Borrower profiles that are assessed in the Individual Profile Star Rating are as follows:

Profile	Product Type
Owner Occupier	An individual who is either refinancing an existing property, purchasing a new property or constructing a new property.
Investor	An individual who is either refinancing an existing investment property or purchasing an investment property

Profile	Product Type	Loan Amount
Owner Occupier	Variable Rate	\$200,000
Investor ¹	1 Year Fixed	\$350,000
Line of Credit ²	2 Year Fixed	\$500,000
	3 Year Fixed	\$750,000
	5 Year Fixed	

Products specific to certain groups or with restrictions on eligibility are not included in the ratings. Home loans that do not conform to the price scenario are also not included so as to ensure like-for-like comparison.

Loan to Value Ratio

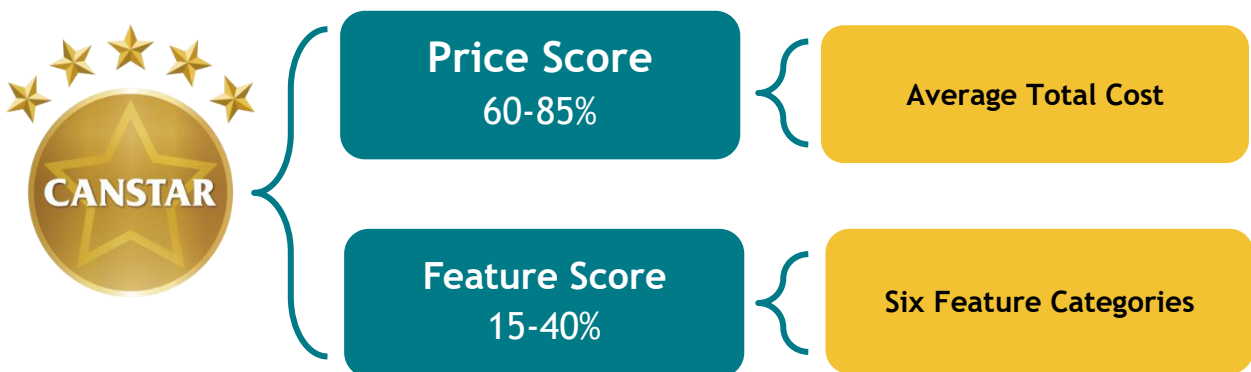
Canstar assesses all individual profiles (and the products included) for star rating purposes at a loan to value ratio (LVR) of 80%. A home loan purchased at an LVR greater than 80% may incur additional costs. These additional costs could include a higher interest rate and/or lenders mortgage insurance.

How is the Star Rating calculated?

Each home loan reviewed for the Canstar *Home Loan Star Ratings Report* is awarded points for its comparative Price and for the array of Features attached to the product. Points are aggregated to achieve a Price score and a Feature score.

To arrive at the total score, Canstar applies a weight against the Price and Feature scores. This weight will vary from profile to profile and will reflect the relative significance of either price or features in determining outstanding value home loan products. This method can be summarised as

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



The weights for the borrowing profiles are as follows:

Profile	Variable Rate		Fixed Rate	
	Price Weight	Feature Weight	Price Weight	Feature Weight
Owner Occupier	80%	20%	85%	15%
Investor	80%	20%	85%	15%
Line of Credit	60%	40%	-	-

1. Investor Profile is broken out into two payment options types - Interest Only (IO) and Principal and Interest (P&I) across all product types and loan amounts
2. Line of Credit only considers variable rates and different loan amounts

Price Score

Scenarios

The cost of each home loan is calculated based on a scenario which captures the amount paid by consumers over a specified borrowing period.

Loan Type	Rollovers	Time on revert rate	Borrowing Period	Loan Term	LVR
Variable	N/A	Remaining borrowing period following intro period (where applicable)	10 years	30 Years	80%
1 Year Fixed	2	120 days	3 years + 120 days		
2 Year Fixed	1	60 days	4 years + 60 days		
3 Year Fixed	1	60 days	6 years + 60 days		
5 Year Fixed	1	60 days	10 years + 60 days		

The above scenarios are applied to each of the loan amounts assessed to ensure that the relative impact of fees and interest is accounted for in each of the consumer profiles.

These scenarios consider:

- Interest charges based on the advertised interest rate (including discounts where applicable)
- Upfront, ongoing and discharge fees (not capitalised into borrowing amount)
- Introductory interest rates for any applicable introductory period
- At least one rollover of the fixed rate for fixed rate loans
- 60-day period where a product reverts to a variable product interest rate (revert rate) each time a fixed term expires
- Repayments made based on monthly repayments for a home loan with a 30-year loan term

Calculation of Loan Cost

To calculate the cost of a home loan to the consumer, Canstar measures the loan repayments made throughout the borrowing period plus upfront, ongoing and discharge fees.

To account for the direct impact that the interest rate has on the amount of principal paid down during the borrowing period, the principal repaid over the borrowing period is deducted from the repayments made when calculating the cost of the loan to the consumer.

Observations

Canstar calculates the total cost of the loan using six months of historical information for each home loan product, taking 12 independent observations of the rates and fees applicable to all products eligible for each consumer profile.

Where a product has more than one eligible interest rate advertised at a point in time (e.g. during a period where a promotional interest rate is on offer), then the pricing that is most favourable to the consumer will be taken for each observation where the pricing is available.

Average Total Cost and Price Score

The average total cost of each home loan is calculated by averaging the cost of the loan for each of the 12 observations calculated for each home loan.

The Price Score is then calculated by indexing and weighting each home loan considered in each consumer profile along a normal distribution.

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	Line of Credit
	Variable/Fixed	Variable/Fixed	Variable
Research	5%	5%	5%
Application	20%	20%	20%
Purpose	20%	20%	20%
Application Channels	20%	20%	20%
Pre-approval	20%/15%	20%/15%	20%
Fixed Interest	0%/15%	0%/15%	0%
Guarantee and Deposit Requirements	20%/15%	20%/15%	20%
Security Options	20%/15%	20%/15%	20%
Management	35%	35%	45%
Repayment	20%	20%/25%	0%
Redrawing and Transactional	40%	40%/25%	55%
Offset Account Facilities	30%	30%/25%	0%
Line of Credit	0%	0%	35%
Construction Loan	5%	5%	0%
Interest Paid in Advance	0%	0%/15%	0%
Online Self Service	5%	5%	10%
Variation	20%	20%	10%
Split and Switch Facilities	34%	34%	0%
Top Up Facilities	33%	33%	0%
Portability	33%	33%	100%
Support	15%	15%	15%
Discharge	5%	5%	5%

Overall Profile Star Rating

The Overall Profile Star Ratings represents the cumulative performance of an institution (within certain categories) using the individual profile outcomes for the best performing product.

The rating is institution based and considers the weighted average of different loan amounts and profiles. For the Fixed Home Lender and Investment Fixed Home Lender, weighted averages of all fixed terms are considered as well.

How are the Overall Profile Star Ratings calculated?

	Variable Home Lender	Investment Variable Home Lender	Fixed Home Lender	Investment Fixed Home Lender	Line of Credit
Weighted Average of Fixed Rates					
Fixed 1 year			15%	15%	
Fixed 2 year			30%	30%	
Fixed 3 year			40%	40%	
Fixed 5 year			15%	15%	
Weighted Average of Repayment Options					
P&I		50%		50%	
IO		50%		50%	
Weighted Average of Loan Amounts					
\$200,000	15%	10%	15%	10%	20%
\$350,000	40%	40%	40%	40%	40%
\$500,000	30%	35%	30%	35%	25%
\$750,000	15%	15%	15%	15%	15%

	Investment Home Lender	Home Lender
Variable Home Lender		70%
Investment Variable Home Lender	60%	
Fixed Home Lender		30%
Investment Fixed Home Lender	40%	

Overlay on the Overall Profile Star Ratings for Fixed Rate

There are instances when an institution may be disadvantaged as it is not offered for one fixed rate term. To overcome these disadvantages and award institutions that consistently offer an outstanding value to consumers, Canstar applies an overlay to the Overall Profile Star Ratings. An overlay on the Overall Profile Star Rating will only apply to institutions that:

1. Offer three out of the four Fixed Rate loan terms
2. Within each loan term, the institution performs in the top 5% of the Fixed Rate loan term

If an institution meets the above criteria, an overlay on the Overall Profile Star Rating for Fixed Home Lender or Investment Fixed Home Lender will be awarded.

If a lender is able to achieve an Overall 5-Star rating in Variable or Investment Variable profiles and also achieve the respective fixed rate overlay, they will also be eligible for the Home Lender or Investment Home Lender overall 5-Star rating.

Does Canstar rate all products available in the market?

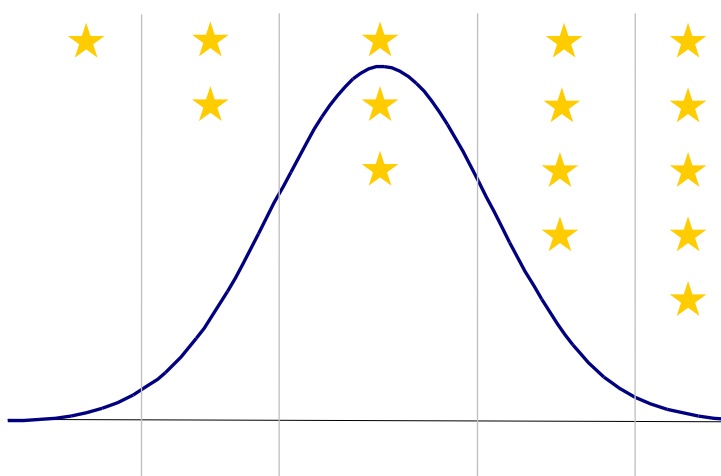
We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However complete coverage is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

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

All ratings are fully recalculated every six 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.).

How are the stars awarded?

The total score received for each profile ranks the products. The stars are then awarded based on the distribution of the scores with the objective to award the top 5-10% of products with the Canstar 5-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 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
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- Home & contents
- Life insurance
- Online banking
- Personal loans
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