

Outstanding Value - Home Loans

February 2021



What are the Canstar Outstanding Value - Home Loans awards?

Canstar's Outstanding Value - Home Loans awards recognise the lenders that provide outstanding value to borrowers through their suite of home loan products available to Australian consumers.

These awards leverage a sophisticated Home Loans Star Ratings methodology, unique to Canstar, to identify the lenders who have best served a range of home loan customers over the preceding 6-month observation period.

There are 7 individual awards that make up the Outstanding Value - Home Loans awards:

- **Home Lender:** awarded to Outstanding Value lenders across all owner occupier profiles
- **Variable Home Lender:** awarded to Outstanding Value lenders across all owner occupier variable profiles
- **Fixed Home Lender:** awarded to Outstanding Value lenders across all owner occupier fixed rate profiles
- **Investment Home Lender:** awarded to Outstanding Value lenders across all investment profiles
- **Investment Variable Home Lender:** awarded to Outstanding Value lenders across all investment variable profiles
- **Investment Fixed Home Lender:** awarded to Outstanding Value lenders across all investment fixed rate profiles
- **Line of Credit:** awarded to Outstanding Value lenders across all line of credit profiles

Eligibility requirements:

To be eligible for the Outstanding Value - Home Loans awards, lenders must have had home loan products available for six months and information required to complete the review made available to Canstar.

Which products are used in this calculating the awards:

All Star Rating eligible home loan products that have been in the market for a period of six months are eligible for consideration in the Outstanding Value - Home Loans awards. Each lender will be represented by the product that has been the best performing against its peers for each profile that forms part of the award assessment.

Which profiles are considered in Canstar's Outstanding Value - Home Loans awards?

Borrower profiles that are assessed in the Awards 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.

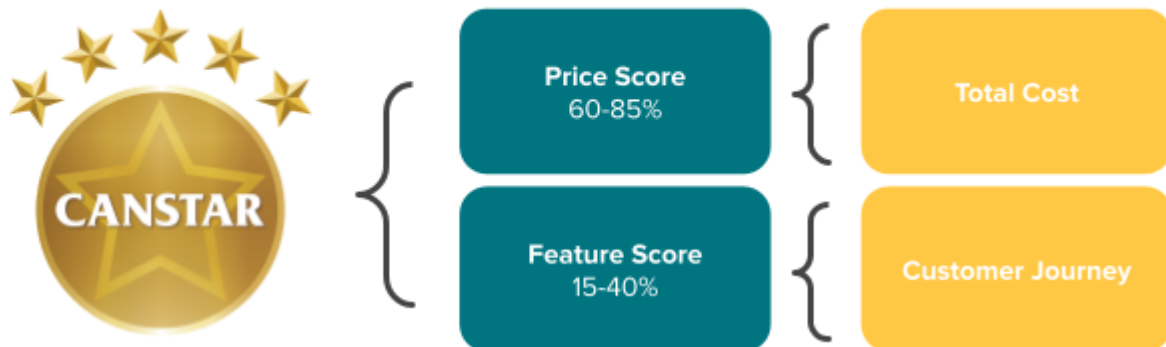
Profile	Product Type	Loan Amount	LVR
Owner Occupier Investor Line of Credit	Variable Rate 1 Year Fixed 2 Year Fixed 3 Year Fixed 4 Year Fixed 5 Year Fixed	\$200,000 \$350,000 \$500,000 \$750,000	80%

How is the Total Score of each product calculated?

Each product considered in the awards have been assessed using a value-based methodology where both Price and Features are considered.

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. 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%	-	-

. Residential and Investor Profiles are broken out into two payment options types – Interest Only (IO) and Principal and Interest (P&I) across all product types and loan amounts

. Line of Credit only considers variable rates and different loan amounts

Price Score

Variable Rate Total Cost Scenario

Canstar accounts for both current and historical interest rate in the calculation of the Price component of each product's overall score. Total cost will be determined by the size of the loan amount, and interest rate at the loan to value ratio (LVR) of 80% for both Owner Occupied and Investment loans. For principal and interest (P&I) loans the total cost calculation is based on a loan term of 30 years with total costs calculated over 10 years. For interest only (IO) loans, interest only payments are based on a 5 year interest only period for variable loans and the appropriate period for fixed rate loans.

The total cost is calculated over the observational period using the average of the rate at each observation date. The total cost is calculated by subtracting the total principal amount that has been paid down from the total payments (including fees) to give the actual cost of the loan.

Total Cost is based on the following:

- Six months' interest rate historical information
- Interest cost plus upfront, ongoing & discharge fees
- For introductory products the revert rate (interest rate to which the product reverts to after introductory period) is also considered

Fixed Rate Total Cost Scenario

Fixed Rate Total Cost Calculation accounts for both current and historical interest rate. Total cost will be determined by the size of the loan amount, and interest rate at the loan to value ratio (LVR) of 80% for both Owner Occupied and Investment loans. Total Cost Calculation will include the following:

- Six months' interest rate historical information
- Interest cost plus upfront, ongoing & discharge fees
- At least one rollover of the fixed rate
- 60 Day period where a product reverts to a 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
4 Year Fixed	1	8 Years
5 Year Fixed	1	10 years

Feature Score

The Feature Score of each home loan takes into account more than 170 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 Variable/Fixed	Investor Variable/Fixed	Line of Credit 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%

What profiles are considered in the awards and how are they weighted?

The following weights are applied to the scores achieved by eligible products in determining the respective awards:

	Variable Home Lender	Investment Variable Home Lender	Fixed Home Lender	Investment Fixed Home Lender	Line of Credit
Fixed Loan Term Weights					
Short Term (Best of 1 or 2 year Fixed)			35%	35%	
Medium Term (3 Year Fixed)			35%	35%	
Long Term (Best of 4 or 5 Year Fixed)			30%	30%	
Repayment Options Weights					
P&I		50%		50%	
IO		50%		50%	
Loan Amounts Weights					
\$200,000	15%	15%	15%	15%	20%
\$350,000	40%	40%	40%	40%	40%
\$500,000	30%	30%	30%	30%	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%	

Outstanding Value Overlay - Fixed Home Lender and Investment Fixed Home Lender awards

There are instances when an institution may be disadvantaged if they do not offer all fixed rate terms. To overcome these disadvantages and award institutions that consistently offer an outstanding value product to consumers, Canstar applies an overlay to the Award. An Overlay will only apply to institutions that meet both of the following criteria:

- Have score a in two out of the three fixed rate buckets (Short Term, Medium Term and Long Term)
- Within each of the fixed rate buckets, the institution scores in the top 5%

If an institution passes the above criteria, an Outstanding Value Overlay on the Award for Fixed Home Lender or Investment Fixed Home Lender will be applied.

How often are products reviewed for award purposes?

Awards are recalculated annually based on the latest features offered by each provider and 6 months of historical pricing performance. Canstar also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazine, television, websites, etc.).

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, wealth 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



COMPLIANCE DISCLOSURE and LIABILITY DISCLAIMER

To the extent that the information in this report constitutes general advice, this advice has been prepared by Canstar Research Pty Ltd A.C.N. 114 422 909 Australian Financial Services Licence ("AFSL") and Australian Credit Licence number ("ACL") 437917 ("Canstar"). The information has been prepared without taking into account your individual investment objectives, financial circumstances or needs. Before you decide whether or not to acquire a particular financial product you should assess whether it is appropriate for you in the light of your own personal circumstances, having regard to your own objectives, financial situation and needs. You may wish to obtain financial advice from a suitably qualified adviser before making any decision to acquire a financial product. Canstar provides information about credit products. It is not a credit provider and in giving you information it is not making any suggestion or recommendation to you about a particular credit product. Please refer to Canstar's FSG for more information.

The information in this report must not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any purpose, in whole or in part, in any form or manner or by means whatsoever, by any person without Canstar's prior written consent. All information obtained by Canstar from external sources is believed to be accurate and reliable. Under no circumstances shall Canstar have any liability to any person or entity due to error (negligence or otherwise) or other circumstances or contingency within or outside the control of Canstar or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information.

The ratings and awards results do not include all providers and may not compare all features relevant to you. The rating or award is only one factor to take into account when considering these products. Canstar acknowledges that past performance is not a reliable indicator of future performance.

The word "CANSTAR", the gold star in a circle logo (with or without surmounting stars), "Be Canstar Sure", the word "WEALTHBRICKS" and versions of the foregoing are trademarks or registered trademarks of Canstar Pty Ltd A.C.N. 053 646 165. Reference to third party products, services or other information by trade name, trademark or otherwise does not constitute or imply endorsement, sponsorship or recommendation of Canstar by the respective trademark owner.

Copyright 2021 Canstar Research Pty Ltd A.C.N. 114 422 909.