

# First Home Buyer Award

July 2021



## What is the Canstar First Home Buyer Award?

Canstar's First Home Buyer Award uses a sophisticated and unique methodology and is awarded to financial institutions that provide the strongest combination of products and services across the first home buyer market in Australia.

The award aims to give recognition to institutions offering outstanding value home loans as well as additional services that benefit first home buyers in making an informed decision when purchasing a home for the first time.

Canstar's First Home Buyer Award is awarded to a Bank of the Year and Customer Owned Institution of the Year, which considers mutual banks, credit unions and building societies. The institution which cumulatively receives the highest score across the areas of consideration will be awarded the First Home Buyer Award.

Canstar First Home Buyer awards recognise excellent achievements on two levels, national and state. The Bank of the Year award is awarded to an Institution which offers an outstanding value proposition across all states and territories. The Customer Owned Institution of the Year Award goes out to one Institution that is present in the particular state or territory and offers outstanding value to First Home Buyers.

## What types of products are evaluated for Canstar's First Home Buyer Award?

To be included in the Canstar First Home Buyer Award, an institution must offer variable and three-year fixed mortgage products available at both 80% and 90% loan-to-value ratios (LVR) and a savings account. For the state-based awards, institutions must also have at least one customer-facing branch or mobile lender in the applicable state/territory.

## How is the Canstar First Home Buyer Award calculated?

To arrive at the total score that makes up the award, Canstar considers 5 categories which follow a customer's journey through the life of the home loan. The first stage of the journey is planning, followed by application and settlement. Products are then assessed based on the day-to-day management of the product, including making repayments, the availability and functionality of a redraw facility, and offset account. Finally, the availability of support throughout the life of the loan and the ease of having the loan discharged is considered.

First Home Buyer Journey	Description
<b>Planning for your First Home</b>	How the institution supports consumers during the planning stages of buying their first home, through providing budgeting tools, access to property research facilities and the provision of competitive savings accounts to help saving towards a deposit.
<b>Applying for and Settling your First Home</b>	How the institution supports consumers in the application and settlement stages of the loan. The different application channels offered by the institution, the types of security available against the loan, and the range of guarantee and deposit options available to the consumer.
<b>Managing your Home Loan</b>	Considers the total cost of the loan, day-to-day management of the loan including making repayments and the availability and functionality of a redraw facility and offset account.
<b>Assistance on your Home Loan</b>	How the institution supports consumers over the life of the loan. Considers the availability and forms of online and call centre assistance, and the physical presence of the institution through branches and mobile lenders.
<b>Closing your Home Loan</b>	The ease and cost associated with discharging the loan.

A weight allocation is applied to the five customer journey categories, and the categories within them. Weights are applied according to the following table.

<b>First Home Buyer Journey</b>	<b>Weighting</b>
<b>Planning for your First Home</b>	<b>5%</b>
Savings	40%
Flexible Saver	40%
Regular Saver	30%
Term Deposits	30%
Budget Planners and other calculators	30%
Property Research Tools	30%
<b>Applying for and Settling your First Home</b>	<b>10%</b>
Guarantee and Deposit Options	35%
Security Options	35%
Application Channels (including mobile lenders, broker channels, online, etc)	30%
<b>Managing your Home Loan</b>	<b>70%</b>
Variable Rate - \$350,000	25%
Price score	90%
Redraw	3.33%
Repayments	3.33%
Offset Account	3.33%
Variable Rate - \$500,000	40%
Price score	90%
Redraw	3.33%
Repayments	3.33%
Offset Account	3.33%
Variable Rate - \$750,000	10%
Price score	90%
Redraw	3.33%
Repayments	3.33%
Offset Account	3.33%
3 Year Fixed - \$350,000	25%
Price score	90%
Redraw	3.33%
Repayments	3.33%
Offset Account	3.33%
<b>Assistance on your Home Loan</b>	<b>10%</b>
Support Services	70%
Branches and Mobile Lenders	30%
<b>Closing your Home Loan</b>	<b>5%</b>
Discharge your home loan	100%

For Branches and Mobile Lenders component of the Bank of the Year award, weightings are assigned to each state based on population size (ABS). For the state award, only the number of branches and mobile lenders for that particular state will be used.

## Total Cost Calculation

The total cost calculation is used to estimate the total cost of the loan for each of the four loan profiles. The institution with the lowest total cost receives the maximum score, with all other institutions indexed against it.

Each total cost is split out into two loan-to-value ratios (LVR), 80% and 90%.

The breakdown between LVRs applied by Canstar is as follows:

Loan to Value Ratio	Weight
80% LVR	80%
90% LVR	20%

Each Institution is represented by their strongest performing product within each of the total cost categories.

Below are details on how the total cost is calculated for the fixed and variable rate loan profiles.

### Variable Rate Total Cost Scenario

Canstar accounts for both current and historical interest rates in the calculation of the total cost component of each product's overall score. The total cost is determined by the size of the loan amount, and interest rate at the applicable LVR. The total cost calculation is based on a loan term of 30 years with total costs calculated over 10 years.

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. The total cost is determined by the interest rate at the applicable LVR. The total cost calculation is based on a loan term of 30 years with total costs calculated over 6 years.

Total Cost is based on 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
3 Year Fixed	1	6 years
Variable	-	10 years

## How often are products reviewed for Star Ratings and award purposes?

Ratings and awards are recalculated annually 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, 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.

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