



## What are the Canstar *Personal Loans Star Ratings*?

Canstar's *Personal Loans Star Ratings* involve a sophisticated rating methodology, unique to Canstar, which compares car and personal loans in Australia. Canstar star-rated products represent a shortlist of financial products. This shortlist narrows the search for consumers to products that have been reviewed, assessed and ranked.

## Eligibility Requirements

To be eligible for a star rating, the product must have been on offer for at least 6 months. Products that do not have the 6 month historical information can only achieve a rising star. Rising star products will be rated in the next period once historical data is available.

## Categories

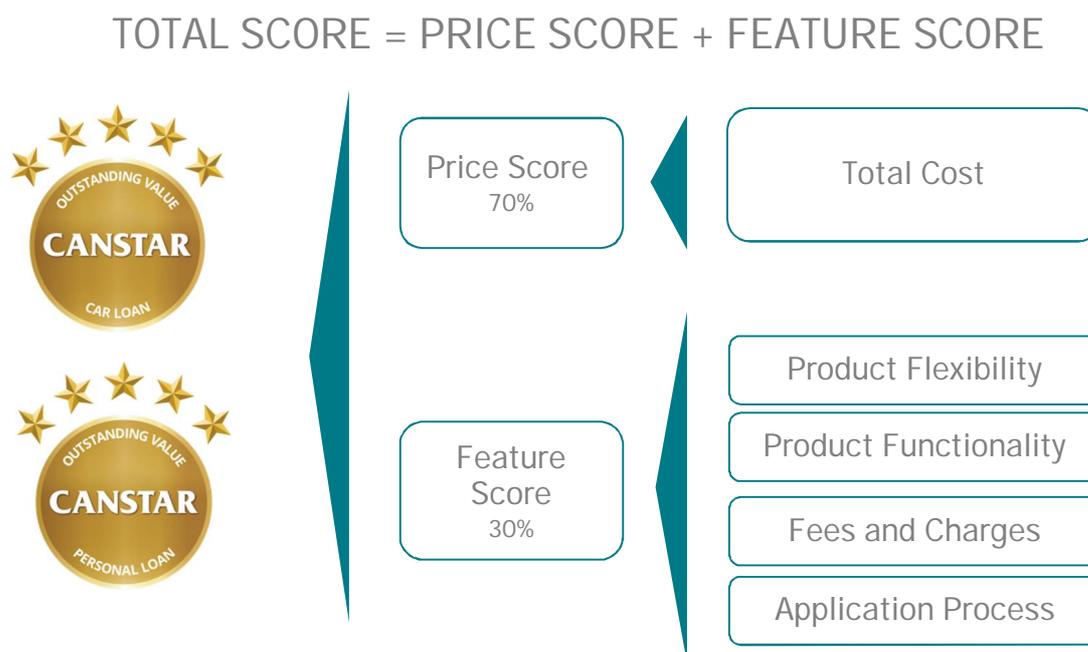
Canstar appreciates the clear distinction of personal loan users as two separate groups. One group of borrowers uses personal loans mainly to purchase cars while the other group uses personal loans to finance other interests such as debt consolidation or holidays. The latter group may either require a secured or an unsecured loan. In recognition of these differences, the Canstar personal loan star ratings methodology has been modified to reflect the distinction between the above mentioned groups.

Consumer Profile	Description
Car Loan	Loans must be available for car purchase and be available for \$25,000 for a loan period of 5 years.
Unsecured Personal Loan	Loans must be available for either debt consolidation or holidays and be available for \$15,000 for a loan period of 3 years.
Secured Personal Loan	Loans must be available for either debt consolidation or holidays and be available for \$20,000 for a loan period of 5 years.

## How are the 'stars' calculated?

Each provider reviewed for the Canstar Personal Loan Star Ratings is awarded points for its comparative pricing and for the array of positive features attached to the product. These features include the availability of product functionality, flexibility, additional fees & charges and the application process. 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 reflect the relative importance of either costs or features in determining the best product. This method can be summarised as:



### Price Score

Canstar compares the current and historical loan pricing data to calculate the cost component of each product's overall 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 each loan by the borrower for the loan scenario used for each category (scenarios below). For secured loans we also take into consideration one – off documentation & documentation release fees.

For the products with tiered interest rates based on loan amount and period the appropriate tiers based on the below table is considered. If the product has a rate range, the midpoint rate is considered for calculation. The interest rate is the average interest rate for the applicable six month period equally weighted.

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

## Feature Score

The feature component takes into account over 80 product features and allocates points for positive features. These product features are grouped into 4 different categories and 12 Sub-Categories with weights given to each relevant area. The following table outlines the weightings of each of the feature categories per profile:

Feature Category	Car Loan	Secured	Unsecured	Example of data captured
Product Flexibility	30%	30%	25%	
Lending Terms	50%	50%	70%	Loan pre-approval, life of pre-approval
Loan Insurance	5%	5%	5%	Loan insurance is available
Security Requirements	25%	20%	-	Unsecured/partial/bill of sale/lien over TD/other
Deposit Requirements	20%	20%	-	100% loan, min/max deposit, rate variations
Loan Purpose	-	5%	25%	Motocycles/new or used cars/holidays/debt/etc
Product Functionality	35%	35%	40%	
Repayment Capabilities	50%	50%	50%	Repayment requirements, repayment options
Switching Facility	10%	10%	10%	Variable – fixed witch allowed, fees
Redraw, Offset & Top Up	35%	35%	35%	Availability, conditions, fees
Statement Options	5%	5%	5%	Frequency options/online options
Fees and Charges	20%	20%	20%	
Additional Fees and Changes	20%	20%	20%	Missed payment fees, partial prepayment fees
Early Repayment Fees	80%	80%	80%	Early repayment fees
Application Process	15%	15%	15%	
Application Process	100%	100%	100%	Branch/internet/mobile lend/broke/phone

## Does Canstar rate all products 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 Personal Loans reviewed for star rating purposes?

Personal Loans Star Ratings are fully recalculated every twelve months. Canstar also monitors changes on an ongoing basis.

## How are the stars awarded?

Canstar ranks Personal Loans based on value-for-money measures and then awards a star rating according to rank. The top accounts will be awarded a five-star (or outstanding) rating. The number of accounts awarded each of the three- to five-star ratings will ultimately depend on the dispersion of final scores.

## 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](http://www.canstar.com.au) if you would like to view the latest star ratings reports of interest.



- Account-based pensions
- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- Health insurance
- Home & contents
- Home loans
- Life Insurance
- Managed investments
- Margin lending
- Online banking
- Online share trading
- Package banking
- Personal loans
- Reward programs
- Travel insurance
- Youth banking & education

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