



PERSONAL AND CAR LOAN STAR RATINGS

METHODOLOGY

October 2018

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 only achieve a Rising Star. Rising Star products 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. In recognition of these differences, 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	Loans must be available for the purchase of new motor vehicles, of at least \$25,000 in value over loan terms up to 5 years.
Used Car Loan	Loans must be available for the purchase of used motor vehicles, of at least \$15,000 in value over loan terms up to 5 years. Loans must be available to purchase vehicles up to at least 4 years of age.
Unsecured Personal Loan	Loans must be available for either debt consolidation or holidays, of at least \$15,000 in value over a 3-year term.
Secured Personal Loan	Loans must be available for either debt consolidation or holidays, of at least \$20,000 in value over a 5-year term.

Tiered Products

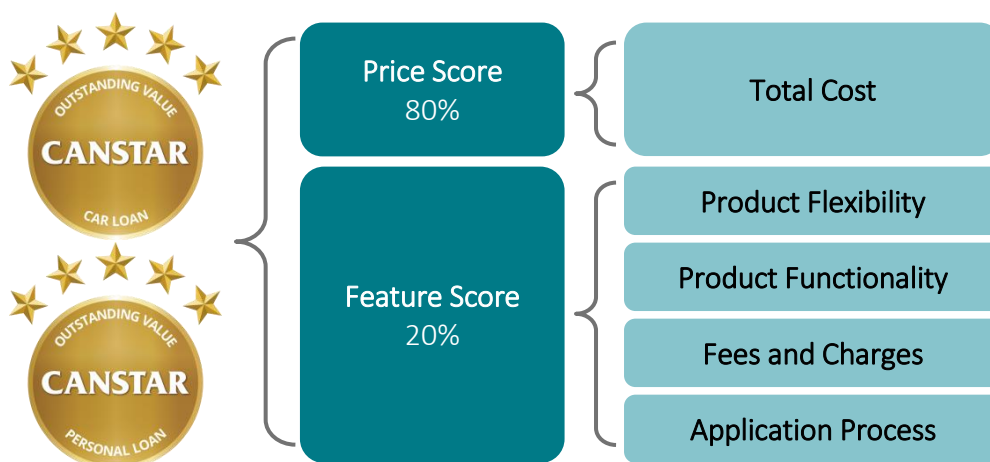
Tiered products, including those with varying fees, principle amounts, terms and rates depending on the applicant's individual circumstances or credit rating are assessed on their individual tiers. To ensure products are rated on a like-for-like basis, tiered products are additionally assessed at a product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

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	5 Years
Unsecured Personal Loan	\$15,000	3 Years

Feature Score

The feature score takes into account a number of features across four different categories, with individual features 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	Unsecured	Description
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	15%	20%	-	Unsecured/partial/bill of sale/lien over TD/other
Deposit Requirements	30%	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 Charges	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 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. 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 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 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

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