



# First Home Buyer Award

## July 2019

### 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 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.

### Awards

Canstar First Home Buyer awards recognise excellent achievements on two levels, national and state. Bank of the Year award is awarded to an Institution which offers an outstanding value proposition across all states and territories. 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.

Weightings are assigned to each state based on population size (ABS). For the state award, only the number of branches for that particular state will be used.

	NSW	NT	QLD	SA	TAS	VIC	WA	AUS
Bank of the Year								✓
Customer Owned Institution of the Year	✓	✓	✓	✓	✓	✓	✓	

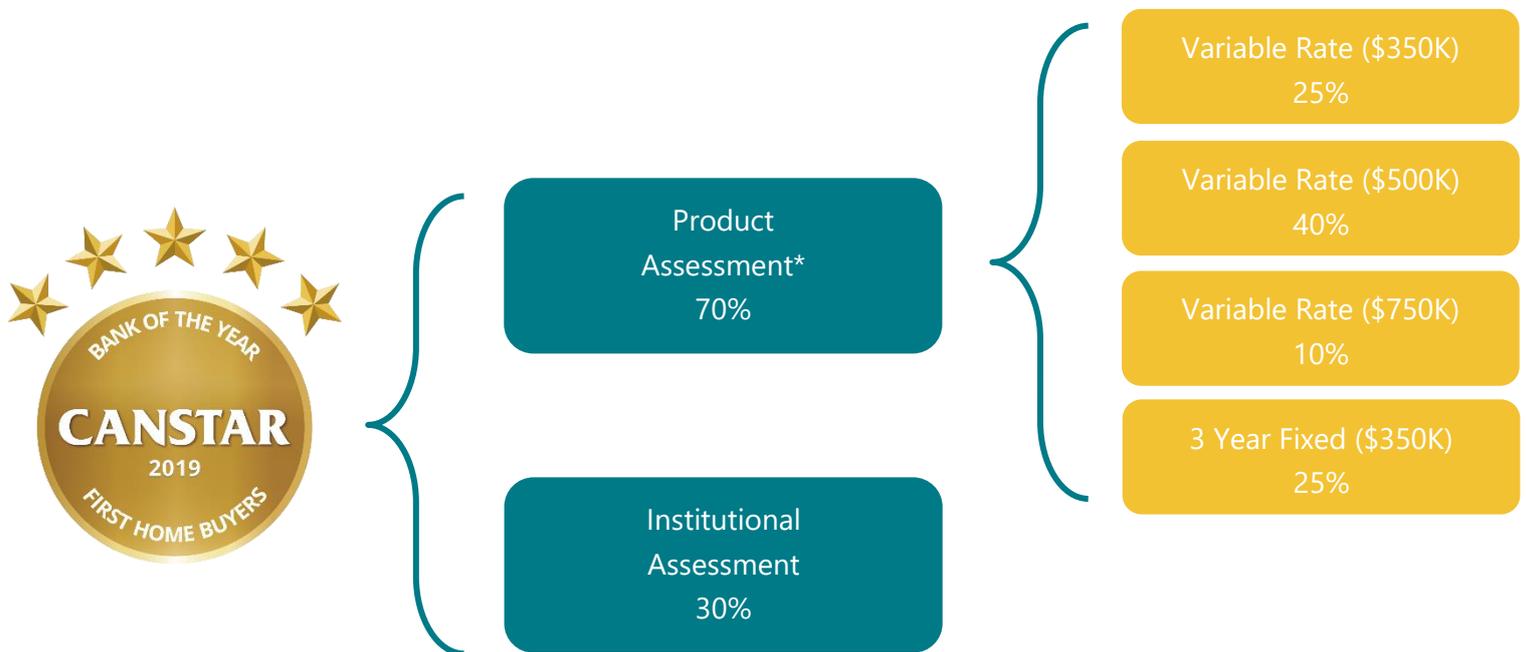
### What types of products are evaluated for Canstar's *First Home Buyer Award*?

To be included in the Canstar First Home Buyer Award, financial institutions had to provide mortgage products that included both variable and three year fixed rate options. For this award, the institutions must also have face-to-face staff available in the applicable state/territory and offer a full range of banking products



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

To arrive at the total score that makes up the award, Canstar considers both a product assessment and an institutional assessment.



\*Each Institution is represented by their strongest performing product within each of the Product Assessment categories.

### Product Assessment

Product Assessment is based on mortgage Star Ratings Methodology, with weightings adjusted to reflect the needs of First Home Buyers. Product Assessment assesses both pricing and features of mortgage products.

	80% LVR	90% LVR	Price Weight	Feature Weight
Variable Rate Product	80%	20%	80%	20%
Fixed Rate Product			80%	20%

## 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% 90%
3 Year Fixed	1	60 days	6 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 features component takes into account more than 200 product features and allocated points. These product features are grouped into 4 different categories with weights given to each relevant area. The following table outlines the weightings of each of the feature categories per profile:

Feature Categories	Variable Rate	Fixed Rate
Loan Terms	40%	40%
Lending Terms	100%	100%
Product Functionality	50%	40%
Additional Repayments	15%	15%
Transactional Home Loan/Redraw	20%	20%
Offset Facility	25%	25%
Split Facility	20%	20%
Top Up Facility	5%	5%
Portability	5%	5%
Construction Loan	5%	5%
Online Self Service	5%	5%
Rate Details	-	10%
Fixed Interest Details	-	100%
Interest in Advance	-	0%
Loan Fees	10%	10%
Switch Fees	75%	75%
Mortgage Fees	25%	25%

## Institutional Assessment

Institutional Assessment is made up of six categories reflecting additional services institutions provide to benefit first home buyers:

Category	Weight	Description
Deposit Requirements	20%	Max LVR; Guarantee Options; Financial Gifts; Genuine savings and length of time
Guarantee Options	20%	Family and non-Family guarantee can be used; Guarantor can provide security and/or deposit; Other Guarantee options
Education	20%	Educational materials such as info on overall process involved in buying a house, explanation of different loan features and also property buying checklists.
Loan Application	15%	Application can be done – online, branch or broker; Is online pre-approval, conditional approval available, instant valuation
Accessibility	15%	Considers the number of branches and mobile lenders in every state across all institutions
Security Requirements	5%	Security can be: standalone house, flats/units/apartments, townhouses; commercially zoned property; etc.
Savings Scheme	5%	This section awards scores to institutions based on Regular Saver Scores from Canstar's Savings and Transaction Account Star Ratings

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

The First Home Buyer Award is recalculated every 12 months based on the latest rates and features offered by each institution. Canstar also monitors rate changes on an ongoing basis.

### 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 and insurance products listed below. These star ratings and awards 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. Access the Canstar website at [www.canstar.com.au](http://www.canstar.com.au) if you would like to view the latest star ratings and awards reports of interest.





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- Life insurance
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- Personal loans
- Term deposits
- Youth banking
- Agribusiness
- Car insurance
- Direct life insurance
- Home & Contents
- Managed investments
- Online share trading
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- Margin lending
- Package banking
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