



## 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 New Zealand. 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

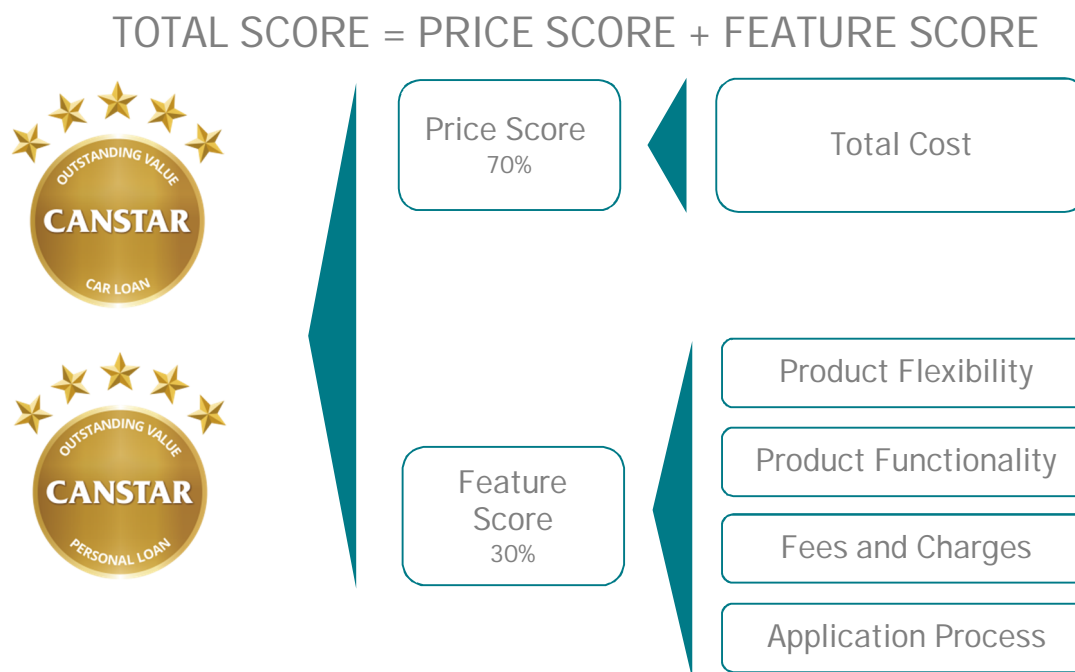
CANSTAR appreciates the clear distinction of personal loan users as two separate groups. One group of borrowers uses personal loans mainly to purchase cars while the other group uses personal loans to finance other interests such as debt consolidation or holidays. In recognition of these differences, 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 \$20,000 for a loan period of 5 years.
Unsecured Personal Loan	Loans must be available for either debt consolidation (excluding loans exclusively for debt) or holidays and be available for \$10,000 for a loan period of 3 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 car loans we also take into consideration one – off documentation & documentation release fees if applicable.

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	\$20,000	5 Years
Unsecured Personal Loan	\$10,000	3 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	Unsecured Loan
<b>Product Flexibility</b>	<b>25%</b>	<b>20%</b>
Lending Terms	50%	70%
Loan Insurance	5%	5%
Security Requirements	15%	-
Deposit Requirements	15%	-
Loan Purpose	15%	25%
<b>Product Functionality</b>	<b>40%</b>	<b>45%</b>
Repayment capabilities	50%	50%
Redraw, Top Up Facility & Offset	35%	35%
Statement Options	15%	15%
<b>Fees and Charges</b>	<b>10%</b>	<b>10%</b>
Additional Fees and Charges	100%	100%
<b>Application Process</b>	<b>25%</b>	<b>25%</b>
Application Process	100%	100%

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



- Business deposits
- Term Deposit
- Credit cards
- Credit card rewards
- Home loans
- Kiwisaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts

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