



# METHODOLOGY

# First Home Buyer Award

June 2020

## What is the Canstar *First Home Buyer Award*?

Canstar's First Home Buyer Award uses a sophisticated and unique methodology and is awarded to the financial institution that provides the strongest combination of products and services across the first home market in New Zealand. 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 a first time.

The institution who cumulatively receives the highest score across the areas of consideration will be awarded Canstar's Bank of the Year - First Home Buyer award.

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

To be included in Canstar's First Home Buyer Award, financial institutions have to provide mortgage products that cover floating, 1-, 2- and 3-year fixed rate terms. For this award, the institutions must also offer the full range of banking products and have face-to-face staff available, whether in branches or working as mobile lenders across both islands.

## 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, any variations to the product that may be required and the availability of support throughout the life of the loan and the ease of having the loan discharged.

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 day-to-day management of the loan, any variations to the loan that may be required and the total cost of the loan.
<b>Getting 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.



Scores are indexed against their peers and weighted according to the following table:

First Home Buyer Journey	Weighting
<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, etc)	30%
<b>Managing your Home Loan</b>	<b>70%</b>
1 year fixed	30%
Total Cost	90%
Redraw	5%
Repayments	5%
2 year fixed	35%
Total Cost	90%
Redraw	5%
Repayments	5%
3 year fixed	15%
Total Cost	90%
Redraw	5%
Repayments	5%
Floating	20%
Total Cost	90%
Redraw	3.33%
Repayments	3.33%
Offset Account	3.33%
<b>Getting Assistance on your Home Loan</b>	<b>10%</b>
Online	40%
Call Centre	30%
Branches and Mobile Lenders	30%
North Island	77%
South Island	23%
<b>Closing your Home Loan</b>	<b>5%</b>
Discharge your home loan	100%

Each Institution is represented by their strongest performing product within each of the Managing your Home Loan and Savings categories.



## Total Cost Calculation

To calculate the total cost for each of the home loan products, Canstar accounts for the cost of the loan and any applicable fees over the term of the loan life across three loan-to-value ratios (LVRs) 80%, 90% and 95%.

The breakdown between LVRs applied by Canstar is as follows:

Loan to Value Ratio	Weight
80%	60%
90%	30%
95%	10%

Canstar accounts for both current and historical interest rates in the calculation of the pricing component of each product's overall score. Each of the six months is weighted equally to arrive at the average total cost.

In addition to the interest cost, the total cost calculation includes upfront fees, ongoing fees, rollover fees and end-of-term fees. For fixed rate loans there are at least two rollovers of the fixed rate.

Term/ Loan Type	Loan Term	Number of rollovers
1 Year	5 years	4
2 Years	6 years	2
3 Years	9 years	2
Floating	10 years	-



## How often are First Home Buyer products reviewed for award 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 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.



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- Deposit accounts
- Home loans
- Personal loans
- Term deposits
- Youth banking
- Business banking
- KiwiSaver
- First home buyer
- Online banking
- Reward programs
- Travel insurance

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