



Mozo Experts Choice Awards **Home Loans 2020**

Methodology Report
March 2020



Mozo Experts Choice Awards

Home Loans 2020

Every day, Mozo keeps track of thousands of products in banking, insurance and energy.

We use our knowledge and experience to identify those products that offer great value or market-leading features, and we recognise them with the Mozo Experts Choice Awards.

- For product providers, a Mozo Experts Choice Award is a third-party endorsement of their product.
- For consumers, it's a sign that a product is among the leaders and is worthy of consideration.

This report lists the winners and explains the judging methodology for our 2020 Home Loan awards.

Home Loans - 2020 Winners

Home Lender Bank of the Year



UBank has long made its name as the place go if you want to get a home loan with a stand-out rate, but also offers a range of other day-to-day banking services. For people looking to take out their home loan with a deposit-taking institution, the judges found that UBank can't be beaten.

Online Home Lender of the Year



Online lender Tic:Toc doesn't only claim some of the fastest loan assessment software in the business, but also offers a range of loans to suit a wide variety of borrowers at some of the best prices in town. Scoring award wins in categories covering both owner occupiers and investors, and both variable rates and fixed rates, Tic:Toc had the edge for the second year in a row.

Low Cost Home Loan

For this category the Mozo judges assessed 284 variable rate loans for owner occupier borrowers making principal & interest repayments looking to borrow 80% of the value of their property, and identified these as the lowest cost.

Athena	Variable Home Loan
FreedomLend	Variable Home Loan
Homestar	Star Essentials Home Loan
Homestar	Variable Rate Loan
loans.com.au	Smart Home Loan
Pacific Mortgage Group	Standard Variable Home Loan
Reduce Home Loans	Low Rider Home Loan
Reduce Home Loans	Rate Buster High Lend Variable Home Loan
Reduce Home Loans	Rate Lovers Variable Home Loan
State Custodians	Low Rate Home Loan with Offset
Tic:Toc	Variable Home Loan
UBank	UHomeLoan - Discount Offer
Well Home Loans	Well Balanced

Offset Home Loan

Of the 198 variable rate loans offering a 100% offset facility the Mozo judges found that these were the lowest cost.

FreedomLend	Variable Home Loan
G&C Mutual Bank	First Home Loan Premium Package
Homestar	Variable Rate Loan
Reduce Home Loans	Low Rider Home Loan
Reduce Home Loans	Rate Lovers Variable Home Loan
Reduce Home Loans	Rate Buster High Lend Variable Home Loan
State Custodians	Low Rate Home Loan with Offset
Tic:Toc	Variable Home Loan
Well Home Loans	Well Balanced

Packaged Home Loan

To find the lowest cost package loans the judges assessed 66 products, then identified those that were the lowest cost options where the borrower could also get a credit card and bank account that don't charge any account keeping fee with that same provider.

Auswide Bank	Special Discount Home Loan Plus Freedom Package
Citi	Standard Variable Mortgage Plus
Credit Union SA	Variable Rate Home Loan Special Offer Package
ING	Orange Advantage Package
Qudos Bank	Low Cost Home Loan Value Package

First Home Buyer Loan

First home buyers often have less than a 20% deposit, so for this category we identified the lowest cost variable rate loans for those looking for a 90% LVR loan. The assessment included special offers that have been launched recently for borrowers taking advantage of the government's First Home Loan Deposit Scheme.

Bank Australia	Basic Home Loan Special
BankSA	Basic Home Loan Special Offer
Easy Street	Standard Variable Home Loan - New Money Offer
FreedomLend	Variable Home Loan Special
G&C Mutual Bank	First Home Loan Premium Package
Reduce Home Loans	Rate Buster High Lend Variable Home Loan
Tic:Toc	Variable Home Loan
Well Home Loans	Well Balanced

Fixed Rate Home Loan

To be considered in this category the lender has to offer at least 3 different fixed rate terms which resulted in 134 products being assessed. The judges calculated the annual cost of each fixed rate term offered and ranked them, then averaged the three best results.

abal banking	Fixed Rate
Adelaide Bank	SmartSaver Fixed
Bank of Melbourne	Fixed Home Loan Advantage Package
BankSA	Fixed Home Loan Advantage Package
Citi	Fixed Rate Loan
Citi	Fixed Rate Loan Mortgage Plus
Greater Bank	Discount Great Rate Home Loan
HSBC	Fixed Rate Home Loan
Illawarra Credit Union	The Works Fixed Home Loan
ING	Fixed Rate Loan Orange Advantage
Pacific Mortgage Group	Fixed Home Loan
Qudos Bank	Fixed Rate Home Loan
St.George	Fixed Home Loan Advantage Package
Tic:Toc	Fixed Home Loan
UBank	UHomeLoan Fixed

Split Home Loan

This category identifies the leading combinations from by the same lender for homeowners looking to split their loan between fixed and variable rates.

Adelaide Bank	SmartSaver / SmartSaver Fixed
Citi	Basic Variable / Fixed Rate Loan
FreedomLend	Variable Home Loan / Fixed Home Loan
G&C Mutual Bank	First Home Loan Premium Package / 1 Year Fixed Rate
HSBC	Discounted Home Value Loan / Fixed Rate Home Loan
Kogan Money	Essential Home Loan / Essential Fixed Home Loan
Mortgage House	Advantage Home Loan No Offset / Advantage Home Loan
Pacific Mortgage Group	Standard Variable Home Loan / Fixed Home Loan
Qudos Bank	No Frills Home Loan / Fixed Rate Home Loan
UBank	UHomeLoan - Discount Offer / UHomeLoan Fixed
Well Home Loans	Well Balanced / Well Balanced Fixed

Investor Home Loan

This award considered the 193 products available for investors that offered both principal & interest and interest only as an option. The winners below were found to be the lowest cost options.

Athena	Variable Home Loan
Citi	Basic Variable
FreedomLend	Variable Home Loan
Homestar	Variable Rate Loan
loans.com.au	Smart Home Loan
Mortgage House	Advantage Home Loan No Offset
RACQ Bank	Mortgage Breaker Investor Special
Reduce Home Loans	Investor Rate Lovers High Lend Variable
State Custodians	Low Rate Home Loan with Offset
Tic:Toc	Variable Home Loan
Well Home Loans	Well Balanced

Investor Fixed Home Loan

For this award, we identified the lenders with the lowest costs over a range of fixed terms for investors. We assessed 113 options, calculating the annual cost of each fixed rate term offered, averaging the three best results. The calculation was performed using rates applicable to both principal & interest and interest only loans.

abal banking	Fixed Rate
Citi	Fixed Rate Loan
Citi	Fixed Rate Loan Mortgage Plus
Greater Bank	Great Rate Home Loan
P&N Bank	Fixed Rate Home Loan
Qudos Bank	Fixed Rate Home Loan
RACQ Bank	Fixed Rate Choices Package
RACQ Bank	Fixed Home Loan
Tic:Toc	Fixed Home Loan
UBank	UHomeLoan Fixed

Green Home Loan

Loans considered for this award must only be available to homes that have been certified with a minimum level of environmental efficiency, of these we calculated the lowest cost option. The Bank Australia Clean Energy Home Loan not only has a great low rate, but is available for any home that achieves a NatHERS rating of 7 stars or higher.

Bank Australia

Clean Energy Home Loan

Best New Home Loan

The judges reviewed all the new home loans launched in the last year and decided Athena's Variable Home Loan had the best combination of rate and features of them all.

Athena

Variable Home Loan

Home Loan Innovation

The Athena Variable Home Loan loan not only impressed the judges as the best new product launched in the last 12 months, but also for its innovation in looking after existing customers with its rate guarantee and loyalty bonus. Their promise is that existing customers get the same rates as new customers, and benefit from a loyalty discount that reduces the interest rate over time.

Athena

Variable Home Loan

How do we judge the winners?

Mozo Experts Choice Awards for Home Loans are awarded based on the following methodology:

Cost Calculations

For variable rate loans, we assumed a 25 year loan is held for 5 years at current interest rates and then discharged. Loans were ranked in order of the total interest and mandatory fees that would be paid in that scenario. Mandatory fees include application or establishment fees, valuation fees, legal fees, settlement fees, regular service fees and discharge fee. Any loans where the fees listed above could not be determined were excluded from the awards. We assumed owner occupiers make principal & interest repayments, and for investors we used the average of a principal & interest and an interest only calculation.

For fixed rate loans, we performed the same calculation but assuming the loan was only held for the fixed rate period and determined the annual cost. We performed this calculation for each fixed rate period available on the product, took the 3 lowest cost results from each product, then averaged and ranked them. Providers with less than 3 fixed rate options were excluded from consideration.

Split loans assume a 50% variable, 50% fixed weighting.

Investor loans were assessed with equal weighting applied to both principal & interest and interest only rates.

All calculations were performed three times using the rates and fees applicable at 30 November 2019, 31 December 2019, and 31 January 2020. Any products not available at each of these three dates were not eligible to win an award.

The results of these calculations were then averaged and ranked. Prior to averaging across different scenarios, loans costs were standardised by applying a factor to interest costs so that loans of different sizes could be weighted equally, and by annualising each cost so that loans of different terms could be weighted equally.

Low Cost Home Loan

Recognises the lowest cost variable rate home loans for owner occupiers. To qualify for this award, loans must:

- allow a loan-to-value ratio of 80%;
- have a variable interest rate;
- be available for a loan of \$400,000;
- allow principal & interest repayments.

Offset Home Loan

Recognises the lowest cost variable rate loan with offset account for owner occupiers. To qualify for this award, loans must:

- allow a loan-to-value ratio of 80%;
- have a variable interest rate;
- be available for a loan of \$400,000;
- allow principal & interest repayments;
- offer a 100% offset account.

Packaged Home Loan

Recognises the lowest cost variable rate packaged home loan for owner occupiers. To qualify for this award, loans must:

- allow a loan-to-value ratio of 80%;
- have a variable interest rate;
- allow principal & interest repayments;
- offer a 100% offset account;
- offer a credit card with no annual fee;
- offer a bank account with no service fee.

For this category the cost calculations detailed above were performed three times using the rates that would apply for three different loan amounts - \$400,000, \$550,000 and \$850,000.

First Home Buyer Loan

Recognises the lowest cost home loans for owner occupiers that are available for borrowers with less than 20% deposit. To qualify for this award, loans must:

- allow a loan-to-value ratio of 90%;
- have a variable interest rate;
- be available for a loan of \$400,000;
- allow principal & interest repayments.

For this category we also considered loans that have been recently launched by lenders who are participating in the government's First Home Loan Deposit Scheme. New loans created for borrowers under this scheme did not have the historical data used for other categories, but were instead assessed based on current interest rates only.

Fixed Rate Home Loan

Recognises the lowest cost fixed rate loans for owner occupiers. To qualify for this award, loans must:

- allow a loan-to-value ratio of 80%;
- have at least three fixed rate terms;
- be available for a loan of \$400,000;
- allow principal & interest repayments.

Split Home Loan

Recognises the lowest cost home loans for owner occupiers that want to have part of their loan on a variable rate and part on a fixed rate. To qualify for this award, loans must:

- allow a loan-to-value ratio of 80%;
- allow the interest rate to be split between variable and fixed portions;
- be available for a loan of \$400,000;
- allow principal & interest repayments.

Investor Home Loan

Recognises the lowest cost variable rate loans for investors. To qualify for this award, loans must:

- allow a loan-to-value ratio of 80%;
- have a variable interest rate;
- be available for a loan of \$400,000;
- offer both principal & interest and interest only repayment options.

Investor Fixed Home Loan

Recognises the lowest cost fixed rate loans for investors. To qualify for this award, loans must:

- allow a loan-to-value ratio of 80%;
- have at least 3 fixed rate terms;
- be available for a loan of \$400,000;
- offer both principal & interest and interest only repayment options.

Green Home Loan

Recognises the lowest cost loan that is only available for people purchasing an environmentally friendly property. To qualify for this award, loans must:

- Be restricted to borrowers buying a property with minimum defined level of environmental efficiency
- allow a loan-to-value ratio of 80%;
- have a variable interest rate;
- be available for a loan of \$400,000;
- allow principal & interest repayments.

Best New Home Loan

All new products added to the Mozo home loan database in the last 12 months were considered for this award. Our judging panel assessed each of these products on their benefits to potential customers and any novel features or facilities it offered.

Lender of the Year Awards

To determine the Online Lender of the Year and Home Lender Bank of the Year awards recipients we examined how each lender performed in each of the award categories shown above, looking for consistent and broad ranging performance. This included an assessment of:

- the number of different categories in which they won awards,
- how well they performed relative to other lenders in each category,
- relative strengths or gaps in any categories.

The judges also examined the available data in a number of other areas, including any additional benefits or restrictions that may apply, and published customer ratings, but did not find cause to adjust their conclusions.

What products do we consider?

In carrying out the Mozo Experts Choice Awards in Home Loans, we analysed 436 home loans from 86 lenders. A full list of eligible lenders is available at the end of this document.

The analysis is based on data contained in Mozo's product database as at 12 February 2020.

We aim to include most home loan providers in the market in the Mozo Experts Choice Awards. However, not every home loan product on the market will be included in our review. Our analysis only considers mutuals with at least \$500m in total assets. As there is no comprehensive list of non-bank lenders, we conducted research to find any that might qualify as award winners and as a result added one more into the awards judging process.

Any home loan product we review must be available in the market at the time of our analysis and any offers included must be available to the general public on the provider's website.

How many winners are there?

We typically aim to award the top 10% of products in each category. The judges may use their discretion to adjust the cutoff up or down as necessary after examining the difference between products at the margin.

How we manage conflicts of interest

Mozo Experts Choice Awards are awarded irrespective of a product provider's commercial relationship with Mozo.

The Awards are based on objective verifiable facts and analysis wherever possible, and any assumptions made are set out in this report. Mozo's Research Team analyses product data and determines the winners in each Mozo Experts Choice category without reference to Mozo's sales or commercial functions.

Providers do not pay to enter the Mozo Experts Choice Awards.

Should a winning provider wish to use the Mozo Experts Choice Awards badges in their own marketing activities, Mozo charges them a licence fee.



About Mozo

Mozo provides a comparison service with the goal of helping consumers to make their own financial decisions and save money. Mozo offers consumers a comprehensive product comparison service that across the retail banking market, general insurance, life insurance, business banking, energy and more.

Hundreds of thousands of Australians a month use Mozo's comparison service. Mozo's comparison technology and expertise has been used by some of Australia's largest online publishers.

Mozo holds an Australian Financial Services Licence and an Australian Credit Licence. Mozo's management team have experience in consumer credit and financial services in a variety of roles from executive management, marketing, actuarial services and technology. Mozo's team are often called upon to provide expert media commentary in relation to the product areas they cover.

Our Mozo Experts Choice Awards analysis is overseen by AJ Duncanson, Mozo's Data Director, and Peter Marshall, Research Manager. AJ is a data scientist and actuary and has worked in financial services and product comparison for over 30 years. Peter has worked for a wide range of Australian banks and product comparison for the past 36 years. Both AJ and Peter act as Responsible Manager on Mozo's Australian Financial Service Licence and Australian Credit Licence.

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Appendix

List of all home loan providers considered in the awards.

86 400	Endeavour Mutual Bank	Police Credit Union
abal banking	Firefighters Mutual Bank	QBANK
Adelaide Bank	firstmac	Qudos Bank
AMP	FreedomLend	Queensland Country Credit Union
ANZ	G&C Mutual Bank	Queenslanders Credit Union
Athena	Gateway Bank	RACQ Bank
Aussie	Goldfields Money	RAMS
Australian Military Bank	Greater Bank	Reduce Home Loans
Australian Unity	Health Professionals Bank	Regional Australia Bank
Auswide Bank	Heritage Bank	Resi
Bank Australia	Homestar	Resimac
Bank First	HSBC	Southern Cross Credit Union
Bank of Melbourne	Hume Bank	St.George
Bank of Queensland	Illawarra Credit Union	State Custodians
Bank of Sydney	IMB Bank	Suncorp
Bank of us	ING	Sydney Mutual Bank
BankSA	Kogan Money	Teachers Mutual Bank
BankVic	Liberty	The Mutual Bank
Bankwest	loans.com.au	Tic:Toc
bcu	Macquarie	UBank
Bendigo Bank	ME	UniBank
Beyond Bank	Mortgage House	Unity Bank
Citi	MOVE Bank	Virgin Money
Click Loans	MyState Bank	Well Home Loans
Commonwealth Bank	NAB	Westpac
Community First Credit Union	Newcastle Permanent	Yellow Brick Road
Credit Union SA	Pacific Mortgage Group	
CUA	P&N Bank	
Defence Bank	People's Choice Credit Union	
Easy Street	Police Bank	