

# Target Market Determination

Stratton Home Loans is issued by Pepper Finance Corporation Limited ABN 51 094 317 647.  
Pepper Money Limited ABN 55 094 317 665, AFSL and Australian credit licence 286655 is the  
servicer of home loans provided by Pepper Finance Corporation Limited



# 1. About this document

This Target Market Determination (TMD) provides information about the target market for Pepper Money's home loan product. It outlines the likely objectives, financial situation and needs of the target market as well as the key attributes of the product.

This document is not to be treated as a full summary of the product's terms and conditions and is not intended to provide financial advice. Consumers must refer to the product terms and conditions detailed below when making a decision about this product:

- General Terms & Conditions
- Pepper Money Loan Agreement
- Mortgage Common Provisions

## Target market determination date

1 March 2023

# 2. Product

Home Loan

# 3. Description of target market, including likely objectives, financial situation and needs

The features of this product, including its key attributes, have been assessed as meeting the likely objectives, financial situation and needs of consumers who:

- satisfy our eligibility criteria, including (but not limited to):
  - being 18 years or older at the time of application;
  - being resident of Australia; and
  - receiving sufficient and consistent income
- require a loan secured by owner occupied or investment residential real property for the purpose of:
  - purchasing residential real property;
  - refinancing a loan secured against residential real property; and/or
  - accessing equity in a residential real property

## Variable interest rate home loan product target market:

- require the flexibility of a variable interest rate;
- want the option for a sub-offset account for deposits to offset interest;
- want the option to access redraw from the sub-offset account;
- want the availability of a Visa debit card<sup>1</sup> for everyday access to additional funds including ATMs;
- want the ability to make unlimited extra repayments, at any time, up to the outstanding loan amount; and
- understand that their repayments can change at any time

Whilst variable interest rates fluctuate, the product has been assessed as meeting the likely objectives, financial situation and needs of consumers in the target market because it allows them to make additional repayments and/or deposit funds into a sub-offset account to reduce interest payable whilst retaining the ability to draw on those funds when required.

## Fixed interest rate home loan product target market:

- wants the certainty of a fixed interest rate and fixed repayments for a fixed period;
- understands that they can make additional repayments to their loan however there is no access to redraw these additional funds. There are no fees for making additional payments;
- understands that they will not benefit from interest rate decreases during the fixed period;
- understands that no break cost fees will be charged if they:
  - want to change to a variable rate loan;
  - make additional repayments to their loan; and/or
  - repay the loan in full

<sup>1</sup> Visa debit card issued by Indue Limited ABN 97 087 822 464 and distributed by Pepper Finance Corporation Limited ACN 094 317 647 and/or through Pepper Money accredited mortgage brokers.

- understands that there is a maximum fixed period of ten years;
- understands that if wanting an interest only term (maximum five years), the fixed rate loan period must equal the interest only loan period;
- understands that a Visa debit card<sup>1</sup> cannot be linked to a loan account with a fixed loan interest rate; and
- understands that they will be unable to offset their fixed loan balance with a sub-offset account

There is the option to lock in a fixed interest rate at application stage (fees apply).

The product has been assessed as meeting the likely objectives, financial situation and needs of consumers in the target market because it provides the certainty of a fixed interest rate and fixed repayments for a fixed rate period with the ability to make additional repayments and repay their loan in full without any break cost fees.

#### **Split loan option:**

The ability to have a split loan with a variable interest rate and fixed interest rate portion with the ability to have an offset sub-account, redraw facility and Visa debit card<sup>1</sup> available on the variable interest rate portion.

#### **Purchase or refinance of an owner-occupied residential property**

This product allows consumers to finance the purchase or refinance of an owner-occupied residential property and make principal and interest repayments in order to reduce the overall debt and build equity in the property.

#### **Purchase or refinance of an investment residential property<sup>2</sup>**

This product allows consumers to finance the purchase or refinance of an investment residential property with the ability to select principal and interest repayments to reduce the overall debt and build equity or interest only repayments for tax purposes.

#### **Access equity<sup>2</sup>**

This product allows consumers to access part of the equity in their owner occupied or investment residential property to use the funds for an approved purpose in accordance with our lending criteria.

Key product attributes

- Principal and interest loan repayments
- Interest only loan repayments up to 5 years
- Fixed and variable interest rate loan options
- Loan term up to 40 years
- Access to online banking
- Equity access, purchases and refinances acceptable
- Ability to finance loan related fees onto the loan amount (to a limit defined by the lender) for example, risk fees can be capitalised on the loan amount up to the maximum allowable Loan to Valuation Ratio limit, provided loan serviceability is met.
- Availability of a Visa debit card<sup>1</sup> for everyday access to additional funds including ATMs for variable interest rate loans
- Availability of a Redraw Facility and BPay access for variable interest rate loans
- Availability of an Interest Offset sub-account for variable interest rate loans
- Ability to make additional repayments at no additional cost for variable interest rate and fixed interest rate loans (no Redraw Facility availability for fixed interest rate loans)
- Ability to lock in a fixed interest rate at application stage (fees apply)
- Ability to have a split loan with a variable interest rate and fixed interest rate portions (monthly account keeping fees apply for each loan split)
- Ability to have a split loan with a variable interest rate and fixed interest rate portion with the ability to have an offset sub-account, redraw facility, BPay access and Visa debit card<sup>1</sup> available on the variable interest rate portion.
- Want a fixed interest rate loan and the ability to make additional payments and payout the loan early with no break cost fees.
- Pricing for risk:
  - If a loan is approved, the interest rate offered and fees and charges will depend on our assessment of a number of factors at the time of application including the consumer's credit history and the nature of the security property
  - The interest rate offered may be higher than our published starting rate(s), depending on the consumer's circumstances (e.g. Loan to Valuation Ratio, credit history, loan size, security property type etc) and this risk loading will apply for the loan term.

<sup>1</sup> Visa debit card issued by Indue Limited ABN 97 087 822 464 and distributed by Pepper Finance Corporation Limited ACN 094 317 647 and/or through Pepper Money accredited mortgage brokers.

<sup>2</sup> The maximum term, loan size, fees and charges and Loan to Valuation Ratio will vary depending on the consumer's circumstances, including the method of income validation and credit history. E.g., discharged bankrupt or defaults. Refer to the key product attributes below to ensure that the available product options meet the consumer's likely objectives, financial situation and needs.

## Fees and Charges<sup>2</sup>

- Establishment Fee (including one valuation)
- Monthly account keeping fee
- Mortgage risk fee/ Lender protection fee
- Fixed rate lock fee

Other fees and charges may apply, as set out in the loan agreement

## Excluded class of consumers

This product may not be suitable for individuals who:

- do not satisfy our eligibility criteria;
- need to borrow greater than 95% Loan to Valuation Ratio;
- require a loan term greater than 40 years;
- are borrowing to construct a dwelling; and/or
- require a line of credit facility.

# 4. How this product is to be distributed

## Distribution channels and conditions

This product is designed to be distributed through the following channels:

- Pepper Money accredited mortgage brokers subject to Best Interests Duty and Licensed Intermediaries (**Third Party Channel**); and
- Directly via Pepper Money employees (**Direct Channel**).

The distribution channels are appropriate because:

- the product has a wide target market;
- Pepper Money's Third-Party Channel consists of accredited brokers that are subject to a higher duty under Best Interests Duties to ensure that the product is in the best interests of the particular consumer;
- Pepper Money's Direct Channel distributors have been adequately trained and have the necessary skills and knowledge to distribute this product in accordance with the TMD;
- Pepper Money's application and approval process has controls in place to ensure all approved consumers meet our eligibility and lending requirements; and
- Pepper Money's conduct adequate training, upfront and ongoing due diligence and monitoring of distributors including the ongoing provision of information to these distributors.

# 5. Reviewing this target market determination

Pepper Money will review this TMD in accordance with the following:

Review periods	First review date: within twelve months of the effective date. Periodic reviews: every twelve months after the initial review and each subsequent review.
Review triggers	The review triggers that would reasonably suggest that the TMD is no longer appropriate include (but are not limited to): <ul style="list-style-type: none"><li>• there is a material change to the product or the terms and conditions of the product;</li><li>• a significant dealing of the product to consumers outside the target market occurs;</li><li>• external events such as adverse media coverage or regulatory attention suggest that the target market for the product might not be appropriate;</li><li>• there is a significant change in product related metrics, including, but not limited to:</li><li>• increased complaints in relation to the purchase or use of the product;</li><li>• increased declined loan applications;</li><li>• high rates of default;</li><li>• high rates of hardship;</li><li>• high numbers of consumer refinancing their loans.</li></ul>

Where a review trigger has occurred, this TMD will be reviewed within 10 business days. Meanwhile, Pepper Money will cease to offer this product to our consumers until our review concludes and any necessary changes to the product or TMD, including distribution methods, are made.

<sup>2</sup>The maximum term, loan size, fees and charges and Loan to Valuation Ratio will vary depending on the consumer's circumstances, including the method of income validation and credit history. E.g., discharged bankrupt or defaults. Refer to the key product attributes below to ensure that the available product options meet the consumer's likely objectives, financial situation and needs

## 6. Reporting and monitoring this target market determination

The following information must be provided by Pepper Money distributors to Pepper Money in relation to the distribution conduct of the Pepper Money Home Loan product, if not available to Pepper Money.

Distributors should provide all reporting to [ddoreporting@pepper.com.au](mailto:ddoreporting@pepper.com.au)

Type of Information	Description	Reporting Period
Complaints received in relation to the product, Pepper Money or the distributor	Written details of the complaint, including name and contact details of complainant and substance of the complaint.	Quarterly, and in any case no later than 10 business days from the end of the quarter.
Significant dealings	Any significant dealing which is not consistent with this TMD.	As soon as practicable, and in any case within 10 business days after becoming aware