

Non-standard regulated consumer loan (CRE Loan)

Target Market Determination

For Pepper Money Limited as servicer of loans issued by Pepper Finance Corporation Limited ACN 094 317 647 AFSL and Australian credit licence 286655



1. About this document

This target market determination (TMD) provides information about the target market for Non-standard regulated consumer loan product (CRE Loan). 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:

- Commercial Real Estate General Terms & Conditions
- Pepper Money Loan Agreement
- Pepper Money General Security Agreement (Company)
- Mortgage Common Provisions

Target market determination date

5 October 2021

2. Product Name

Non-standard regulated consumer loan (CRE Loan)

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

The features of this product, including its key attributes has 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 property for the purpose of:
 - purchasing a commercial or residential property, owner occupied or for investment purposes;
 - refinancing a loan secured against commercial or residential property, owner occupied or for investment purposes;
 - accessing equity in a commercial or residential property, owner occupied or for investment purposes;
- require the flexibility of a variable interest rate;
- may require the option for a sub-offset account for deposits to offset interest;
- may require the option to access redraw from the sub-offset account;
- may require the ability to make unlimited extra repayments.

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 purchase commercial property or residential property or access equity in an existing property in circumstances which do not meet the credit policy for our other loans (due to the nature of the property or the borrower's source of income). The product enable these consumers 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.

The product provides consumers with the ability to select principal and interest repayments in order to reduce the overall debt and build equity or interest only repayments which, in the case of investment property, may provide tax advantages.

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.

Key product attributes

- Principal and interest loan repayments
- Interest only loan repayments up to 5 years
- a total Loan term up to 25 years
- acceptance of a broad range of consistent income via different income types
- purchases, refinances and equity access acceptable
- availability of a Redraw Facility
- availability of an Interest Offset sub-account;
- ability to make additional repayments at no additional cost
- ability to finance loan related fees onto the loan amount (to a limit defined by the lender) for example, the application fee can be capitalised onto the loan amount up to the maximum allowable Loan to Valuation Ratio limit, provided loan serviceability is met.
- flexibility to access funds through various channels including online or telephone redraw, Bpay, Direct Debit
- access to online banking including BPay
- repayments from an Australian bank account
- 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.

Fees and Charges[^]

- Application/Commitment Fee
- Valuation Fee
- Monthly administration 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;
- require a loan to purchase or refinance residential property
- need to borrow greater than 85% Loan to Valuation Ratio;
- require a loan term greater than 25 years;
- require a fixed interest rate loan; 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 (**Third Party Channel**); and
- Directly via Pepper Money employees (**Direct Channel**).

The distribution channels are appropriate because:

- our 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;
- our Direct Channel distributors have been adequately trained and have the necessary skills and knowledge to distribute this product in accordance with the TMD;
- our application and approval process has controls in place to ensure all approved consumers meet our eligibility and lending requirements; and
- we conduct adequate training, and upfront and ongoing due diligence and monitoring of distributors including the ongoing provision of information to these distributors.

5. Reviewing this target market determination

We 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"> • There is a material change to the product or the terms and conditions of the product; • A significant dealing of the product to consumers outside the target market occurs; • External events such as adverse media coverage or regulatory attention suggest that the target market for the product might not be appropriate; • There is a significant change in product related metrics, including, but not limited to: <ul style="list-style-type: none"> ○ increased complaints in relation to the purchase or use of the product; ○ increased declined loan applications; ○ high rates of default; ○ high rates of hardship; ○ high numbers of consumer refinancing their loans.

Where a review trigger has occurred, this TMD will be reviewed within 10 business days. Meanwhile, we 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.

6. Reporting and monitoring this target market determination

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

Distributors should provide all reporting to 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.	As soon as practicable and in any case within 10 business days of receipt of complaint.
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