

Near Prime Non-Standard Regulated Loan (CRE) Target Market Determination

Pepper Money Limited ABN 55 094 317 665 Australian Financial Services and Australian credit licence
286655 is the servicer of loans issued by Pepper Finance Corporation Limited ABN 51 094 317 647

1. About this document

This target market determination (TMD) provides information about the target market for the Near Prime Non-Standard regulated consumer loan product (Commercial Real Estate 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.

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

29 January 2025

2. Product

Near Prime 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) the following:
 - Must be 18 years or older at the time of application.
 - Must be resident of Australia.
 - Must be able to demonstrate their capacity to repay the loan over a sustained period of time.
 - May have adverse credit history.
- 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.
 - Accessing equity in a residential real property.
- Are able to manage repayments which can change at any time.

Some product features may alter the target market. See below for details.

Key product features and attributes

- Variable interest rate only.
- Principal and Interest and Interest Only (IO) repayment options, IO for up to 5 years.
- 100% interest offset sub-account available.
- Maximum Loan to Value Ratio (LVR) 80%¹.
- Maximum loan amount A\$3,000,000, minimum loan amount A\$200,000¹.
- Maximum loan term 30 years, minimum loan term 1 year¹.
- Repayments available monthly, fortnightly and weekly.
- Ability to make and redraw additional repayments
- Access to manage loan online including BPay

¹ The maximum term, loan amount, 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 to ensure that the available product options meet the consumer's likely objectives, financial situation and needs.

- 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, income and financial position, the Loan to Value Ratio, the loan term and the nature of the security property. A risk loading may apply.
- Fees and charges include:
 - Establishment Fee
 - Monthly Account Keeping Fee
 - Fixed Rate Lock Fee
 - Legal Fee
 - Discharge Fee
 - Lender Protection Fee

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

Sub target market for consumers with 100% interest offset sub-account feature

This feature is likely to be appropriate for consumers within the target market who:

- Have surplus cash and want to use this to reduce the interest payable on their loan while retaining access to their money.

Sub target market for consumers with a Principal and Interest loan repayment

This feature is likely to be appropriate for consumers within the target market who:

- Wants to pay down their outstanding loan balance on a regular basis in addition their interest repayments, to save on interest over the term of the loan and build equity in the property.

Sub target market for consumers with an Interest Only loan repayment

This feature is likely to be appropriate for consumers within the target market who:

- Will benefit from the ability to only pay interest only on the outstanding loan balance for the duration of the Interest Only period.
- Understand that they may pay more interest over the life of the loan as not paying down principal during the interest only period.

Interest Only is available for a maximum period of 5 years, after which repayments will revert to Principal and Interest.

Purchase or refinance of an owner-occupied residential property¹

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 property¹

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 a maximum of 5 years for tax purposes.

Access Equity¹

This product allows consumers to access part of the equity in their owner occupied or investment residential property to use the funds for an acceptable purpose in accordance with our lending criteria. Acceptable purposes include purchasing another property; home improvement, debt consolidation or investment.

¹ The maximum term, loan amount, 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 to ensure that the available product options meet the consumer's likely objectives, financial situation and needs.

Consumers for whom this product may not be appropriate

This product may not be appropriate for individuals who:

- Do not meet the Near Prime target market criteria.
- Qualify for a Prime Non-Standard loan product.
- Need to borrow greater than 80% LVR.
- Require a loan term greater than 30 years.
- Require a fixed rate loan.
- Are borrowing to construct a dwelling.
- Do not have ongoing income and/or employment.
- Borrowers who cannot demonstrate their capacity to repay debt over a sustained period.
- Require a line of credit facility.

Pepper may also exclude consumers based on factors including, but not limited to, loan purpose.

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 and licensed mortgage brokers subject to Best Interests Duty and Licensed Intermediaries (**Third Party Channel**); and
- Directly via appropriately authorised 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 or Licensed Intermediaries.
- 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.
- Pepper Money conducts 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

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 not limited to): <ul style="list-style-type: none">• There is a material change to the product including to the fees or the terms and conditions of the product, except where the TMD has already been reviewed in relation to that change.• There is a material change in the regulatory requirements in relation to the product, except where the TMD has already been reviewed in relation to that change.• 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 material, unexpected increase in complaints, declined applications, clients in default or hardship when measured against approved metrics, determined by reference to our Design and Distributions Obligations (DDO Policy).• We receive correspondence from a regulator, including a regulatory order or direction (including the use by ASIC of its Product Intervention Powers) that expressly states or directly implies that this TMD is no longer appropriate.

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

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 Non-Standard regulated consumer loan product (CRE loan), if not available to Pepper Money.

Distributors should provide all reporting to ddoreporting@pepper.com.au

Type of Information	Description	Reporting Period
Specific 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.	Within 5 business days from the date of the complaint.
Number of complaints received in relation to the product, Pepper Money or the distributor	Number of complaints.	Quarterly, and in any case no later than 10 business days* from the end of the quarter or from receiving a request from Pepper Money
Significant dealings	Any significant dealing which is not consistent with this TMD Including: <ul style="list-style-type: none">• The date on which or the date range over which the dealing occurred;• A description of the dealing;• An explanation of why the dealing is considered significant;• An explanation of why the dealing is considered to be inconsistent with the TMD;• How the dealing was identified (e.g., through monitoring, complaints etc.); and• Detail of what steps have been or will be taken in relation to the significant dealing.	As soon as practicable, and in any case within 10 business days* after becoming aware

*Business day is a day that is not a Saturday or Sunday, a public holiday or bank holiday in New South Wales.