

Target market determination

Background

This is the target market determination (TMD) for the purposes of section 994B of the Corporations Act 2001 (Cth) (Corporations Act) for the Express Reverse Mortgage. The issuer of Express Reverse Mortgages is ASF Custodians Pty Ltd / Challenger Bank Limited (Issuer). This TMD sets out certain information relevant to the Issuer's compliance with the design and distribution (DDO) framework in the Corporations Act, including the:

- Class of consumers that makes up the target market for the Express Reverse Mortgage;
- Conditions that will be imposed on the distribution of the Express Reverse Mortgage;
- Requirements for the Issuer to review the TMD; and
- Requirements for distributors to report certain information to the Issuer.

This TMD does not provide a complete list of the features and terms and conditions of the Express Reverse Mortgage. This TMD should be read in conjunction with the Express Reverse Mortgage Product Guide, Reverse Mortgage Information Statement and other information available on our website in relation to the Express Reverse Mortgage, including information relating to loan and drawdown flexibility, fees and interest rates. If a loan application is approved, the Loan Agreement issued following any approval will govern the specific terms and conditions that apply to that particular Express Reverse Mortgage.

This TMD has been prepared without taking into account any person's individual needs, objectives, or financial situation. If you are considering the Express Reverse Mortgage, we encourage you to understand how it may affect your personal circumstances – talk to friends and family, email our Customer Care team, Centrelink and other professionals (such as, independent legal and financial advisers) and use the resources and loan projection tools (such as ASIC's MoneySmart Reverse Mortgage Calculator and Reverse Mortgage Information Statement) that we have available.

TMD Information

Product name	Express Reverse Mortgage
Issuer name	ASF Custodians Pty Ltd / Challenger Bank Limited
ABN	49 106 822 780 / 54 087 651 750
ACN	106 822 780 / 087 651 750
Australian Credit Licence No.	386781 / 245606
Date of TMD	17 January 2022
TMD version no.	Version 1

**Express Reverse
Mortgage.**

Express Reverse Mortgage | PO Box 18134, Collins Street East, VIC 8003 | www.heartlandfinance.com.au
Australian Seniors Finance Pty Ltd – Australian Credit Licence No. 386760 (ACN 108 875 636)
Challenger Bank Limited – Australian Credit Licence No. 245606 (ACN 087 651 750)

Target market for Express Reverse Mortgages

The class of consumers that makes up the target market for Express Reverse Mortgages is set out below.

Target market description	Express Reverse Mortgage description, including key attributes	Appropriateness
<p>(a) Likely objectives, financial situation and needs of consumers in the target market</p> <p>The likely objectives, financial situation and needs of consumers in the target market include persons aged 60 and over who fit one or more of the following:</p> <ul style="list-style-type: none"> • Are concerned about having sufficient liquid funds to fund a one-off expense in retirement, e.g. because they have a large proportion of their wealth tied up in their residential property or properties, but a low level of savings and limited other assets. • Want to fully own and remain living in, or retain, their residential property for as long as they wish, while releasing some of the equity in their property for a purpose that helps them live a more comfortable retirement or lifestyle and benefitting from any potential increase in their property value. • Do not want to, or cannot afford to, make regular loan repayments. • Cannot access other loan products (e.g. a normal home loan, personal loan, credit card or overdraft) due to their age or employment status. • Require additional funds, accessed from the equity from their residential property, for any other purpose assessed by the Issuer as suitable, without having to liquidate their residential property or other assets. • Want the benefit of the protections and safeguards afforded by a reverse mortgage (including, a lifetime occupancy and no negative equity guarantee). Require a reverse mortgage as part of their investment strategy or finance structure. 	<p>Description of the Express Reverse Mortgage and its key attributes</p> <p>An Express Reverse Mortgage:</p> <ul style="list-style-type: none"> • allows persons aged 60 and over to access part of the equity in their property for any purpose that helps them live a more comfortable retirement or lifestyle (such as, paying off debt or debt consolidation, home improvements, travel and holidays, buying a car and in-home care); • is secured against their owner-occupied residential property; • provides nominated borrowers with a lump sum payment only; • protects nominated borrowers through lifetime occupancy and no negative equity guarantees. <p>Borrowers are not required to make regular repayments and the Express Reverse Mortgage becomes repayable when the property is sold or 12 months after the last nominated borrower moves permanently from their home (for owner occupied property) ; this could occur due to a move to long-term care or because they pass away. The principal repayment strategy therefore is to use the proceeds from the sale of the property.</p> <p>A Express Reverse Mortgage is offered only at a variable interest rate (which is subject to change). This provides flexibility, as voluntary repayments can be made at any time without penalty. Over time, the loan balance of a Express Reverse Mortgage will grow (unless voluntary loan repayments are made) due to interest being capitalised and added to the loan on a regular basis (compounding interest).</p> <p>There are limits on the amounts that we will lend under the Express Reverse Mortgage. The minimum amount which can be advanced under the Express Reverse Mortgage is \$20,000. The maximum amount which can be advanced under the Express Reverse Mortgage is \$50,000.</p>	<p>The Issuer considers the Express Reverse Mortgage (including, its key attributes) is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market because:</p> <ul style="list-style-type: none"> • The Express Reverse Mortgage is a loan that has been especially designed to provide people aged 60 and over who own residential property with the financial freedom to enjoy their retirement or lifestyle. • The key attributes of the Express Reverse Mortgage include a number of eligibility criteria which mean that only consumers in the target market (with the likely objectives, financial situation and needs described in this TMD) are able to access this product. <p>• This TMD includes references to the requirement for the nominated borrower(s) of an Express Reverse Mortgage to be aged 60 or over. Other owners of the property may be borrowers, however, will not be nominated as receiving the relevant protections under the Reverse Mortgage.</p> <ul style="list-style-type: none"> • Provided the loan is not in default. • The current rate and fees are included in the Express Reverse Mortgage Fee Schedule.

Target market description	Express Reverse Mortgage description, including key attributes	Appropriateness
<p>(b) Eligibility characteristics of consumers in the target market for Express Reverse Mortgages</p> <p>Consumers in the target market for the Express Reverse Mortgage will have the following eligibility characteristics:</p> <ul style="list-style-type: none"> • the nominated borrowers are aged 60 and over. • they own a residential property which: <ul style="list-style-type: none"> • is their primary place of residence; and • meets the additional eligibility criteria for a Express Reverse Mortgage described in the “Express Reverse Mortgage description, including key attributes” column or is approved as a non-standard, non-conforming, or non-qualifying loan on the basis of good customer outcomes and a credit and responsible lending assessment being undertaken; • they have obtained independent legal advice to allow them to understand the nature of their obligations under an Express Reverse Mortgage and evidenced that they have received this advice; and • they have had the opportunity to: <ul style="list-style-type: none"> • speak with their family about obtaining the Express Reverse Mortgage; • consider the implications of the Express Reverse Mortgage on their Centrelink entitlements, any potential bequeathment, and future aged care needs; and • obtain financial advice if they wish to do so. <p>(c) Classes of consumers for whom an Express Reverse Mortgage is clearly unsuitable</p> <ul style="list-style-type: none"> • Those aged under 60. • Those who do not own residential property. • Those who do not have enough equity available in their property to meet the criteria for the Express Reverse Mortgage or cannot access the amount they need. 	<p>Additional eligibility criteria for the Express Reverse Mortgage are that:</p> <ul style="list-style-type: none"> • there are no more than two nominated borrowers; • the property is in a Capital Cities or major metropolitan or regional centre (use the apply now function to check if property location meets criteria), of conventional construction and good repair and meets size criteria; • the minimum property value is \$400,000; • the property must be mortgage free (unless the Express Reverse Mortgage is used to repay any outstanding mortgage); and • the property is not in a retirement village. 	<p>The Issuer considers the Express Reverse Mortgage (including, its key attributes) is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market because:</p> <ul style="list-style-type: none"> • The Express Reverse Mortgage is a loan that has been especially designed to provide people aged 60 and over who own residential property with the financial freedom to enjoy their retirement or lifestyle. • The key attributes of the Express Reverse Mortgage include a number of eligibility criteria which mean that only consumers in the target market (with the likely objectives, financial situation and needs described in this TMD) are able to access this product.

Target market description	Express Reverse Mortgage description, including key attributes	Appropriateness
<ul style="list-style-type: none"> • Those whose property does not meet the additional eligibility criteria for the Express Reverse Mortgage described in the “Express Reverse Mortgage description, including key attributes” column or who are not approved as a non-standard, non-conforming, or non-qualifying loan on the basis of good customer outcomes. • Those who do not wish to have a mortgage registered over their property. • Those who do not wish their loan balance to increase over time and do not intend to make repayments to ensure this does not happen. • Those who would prefer to sell their property and use the balance of the sale proceeds to fund their requirements and objectives. • Those who have other assets in addition to their residential property that they are comfortable and would prefer to sell to fund their retirement or lifestyle needs (e.g. liquidating a share portfolio, accessing cash savings or selling an investment property or holiday home). • Those who do not wish to have to sell their property to fund the repayment of their loan and are unlikely to have another avenue for repayment (e.g. those that wish to bequeath 100% of their property to their family). • Those who will likely require the full proceeds of the sale of their property to fund their financial needs in retirement (e.g. to fund aged care living). • Those on the aged pension, and who are likely to suffer significantly as a result of receiving a reduced or no aged pension, due to obtaining the Express Reverse Mortgage, and, if this was the case, have not put in place other measures to ensure they are able to afford their future needs and/or are not comfortable having their aged pension reduce. 		

Distribution conditions for Express Reverse Mortgages

The conditions and restrictions which apply to the distribution of Express Reverse Mortgages are set out below.

Distribution conditions	Appropriateness		
<p>Express Reverse Mortgages are suitable for distribution only by:</p> <table border="0"><tr><td data-bbox="107 368 533 464"><p>Distributor Australian Seniors Finance Pty Ltd (ASF) Challenger Bank Limited (CBL)</p></td><td data-bbox="680 368 1079 464"><p>Channel Online via Express Reverse Mortgage application and website</p></td></tr></table>	<p>Distributor Australian Seniors Finance Pty Ltd (ASF) Challenger Bank Limited (CBL)</p>	<p>Channel Online via Express Reverse Mortgage application and website</p>	<p>The Issuer considers the distribution conditions will make it more likely that the consumers who acquire a Express Reverse Mortgage are in the target market because:</p> <ul style="list-style-type: none">• Express Reverse Mortgages can be distributed only directly by ASF/CBL.• Advertising content is targeted specifically to the target market.• All applicants, regardless of the distribution channel, must complete the same application and have engagement with ASF and CBL staff in accordance with well-developed processes and procedures.• ASF and CBL staff receive regular training in relation to the Express Reverse Mortgage, including its key attributes and dealing with vulnerable customers and elder financial abuse.• The online Express Reverse Mortgage application via our website incorporates auto-decisioning elements that ensure applicants who do not satisfy certain eligibility criteria cannot proceed with an application.• A compliance call is made to all applicants prior to final approval.• The key attributes of the Express Reverse Mortgage are documented in a Lending Standard and supporting procedures which set out the current, credit decisioning criteria and processing steps for the Express Reverse Mortgages. All lending decisions must be made by ASF and CBL in accordance with these documents and must align with respective delegated lending authorities.• If the purpose of a reverse mortgage is for business or investment purposes (excluding for the consolidation of investment property debt) then independent financial advice is required.
<p>Distributor Australian Seniors Finance Pty Ltd (ASF) Challenger Bank Limited (CBL)</p>	<p>Channel Online via Express Reverse Mortgage application and website</p>		

Issuer review requirements

The Issuer must carry out both:

- Initial and periodic reviews; and
- Triggered reviews (upon the occurrence of certain events that reasonably suggest this TMD is no longer appropriate), of this TMD.

The frequency of the initial and periodic reviews and the circumstances in which a triggered review will occur are set out below.

Initial and periodic reviews	Review triggers
<p>The initial review will occur by the date which is 17 January 2023.</p> <p>Periodic reviews will occur every 2 years after the initial review and each subsequent periodic review.</p> <p>Reviews will also occur following a review trigger (see the 'Review triggers' column).</p>	<p>This TMD must be reviewed where there is an event or circumstance that would reasonably suggest this TMD is no longer appropriate, including where any of the following has occurred:</p> <ul style="list-style-type: none">• There is a material change to the key attributes of the Express Reverse Mortgage that make it no longer consistent with the likely objectives, financial situation and needs of consumers in the target market.• The Issuer identifies a substantial divergence in how Express Reverse Mortgages are being distributed and purchased, as compared to how the Issuer expected Express Reverse Mortgages to be distributed and purchased (as set out in this TMD).• An unexpectedly high number of complaints are received from customers (whether directly to ASF and CBL or via third-party distributors) that indicate the Express Reverse Mortgage is not suitable for the target market or is not being distributed to the target market.• The Issuer identifies a significant dealing has occurred that is required to be reported to ASIC.• ASIC has utilised its product intervention power in Part 7.9A of the Corporations Act to intervene in relation to the Express Reverse Mortgage.

Distributor reporting requirements

The information needed from distributors to enable the Issuer to identify promptly when this TMD may no longer be appropriate, whether due to the occurrence of a review trigger or another event or circumstance that would reasonably suggest this is the case, is set out below. The reporting periods for when that information must be provided to the Issuer, and which distributors must provide the information, are also set out below.

Reporting requirement	Reporting period	Which distributor requirement applies to
Whether any complaints have been received by the distributor from Express Reverse Mortgage applicants and customers: <ul style="list-style-type: none"> • Number of complaints • Substance of complaints • How complaint was resolved (to the extent it has been) 	Within 10 business days following the end of each calendar quarter when during the period any material feedback was received in respect to a Express Reverse Mortgage and as otherwise required by the Corporations Act.	All distributors described in Section 4 of this TMD.
The nature of any material, general feedback received by the distributor from Express Reverse Mortgage applicants and customers relating to the Express Reverse Mortgage and its performance.	Within 10 business days following the end of each calendar quarter when during the period any material feedback was received in respect to an Express Reverse Mortgage and as otherwise required by the Corporations Act.	All distributors described in Section 4 of this TMD.
The description and date of any significant dealing* that has occurred.	As soon as possible, but no more than 10 business days after the distributor becomes aware of the significant dealing(s).	All distributors described in Section 4 of this TMD.
Any dealings outside the target market (to the extent that the distributor is aware of such dealings), and the reason why the distribution occurred outside the target market.	Within 10 business days following the end of each calendar quarter.	All distributors described in Section 4 of this TMD.

*For example, a distributor may consider a dealing outside the TMD to be significant because (i) they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or (ii) they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer), or (iii) the issuer has reasonably identified the this type of dealing as significant or a regulatory or court identifies this type of dealing as significant.