



## Household Capital - Household Loan

In this document, we describe who this product is appropriate for (target market), and any conditions and restrictions around how this product can be distributed to consumers. We also describe the events or circumstances where we may need to review this document.

This document is prepared on 11 October 2022 and effective from 17 October 2022 (effective date).

This document is last reviewed and updated on 2 March 2023.

### How to contact us:

Household Capital

1300 622 100

[customers@householdcapital.com.au](mailto:customers@householdcapital.com.au)

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## Introduction

### ***About Household Capital***

Household Capital Services Pty Limited ACN 625 860 764 (Household Capital) is a Special Purpose Funding Entity (SPFE) and the issuer of the Household Loan.

Household Capital Pty Limited ACN 618 068 214, Australian Credit Licence 545906, is the Servicer for the credit provider Household Capital Services Pty Limited CAN 625 860 764

Household Capital is a specialist retirement funding provider with a mission to help Australian retirees improve their lifestyle through responsible access to wealth through homeownership.

We provide Australia's retirees with access to home equity – their Household Capital™ – to improve long term retirement funding.

As a specialist, we offer a flexible, low interest rate product - the Household Loan - a reverse mortgage that can help retirees meet their needs now and in the future.

### ***About Household Capital's products***

Our Household Loan enables customers to draw on their Household Capital™, the savings in their home. It provides responsible access to a portion of their home's value to meet long term retirement needs. It also provides flexibility and choice to improve their lifestyle and wellbeing while continuing to live in the family home.

### ***About this Target Market Determination***

We are committed to creating and maintaining a client-centric approach to the design and distribution of our products. The purpose of our Target Market Determinations is to ensure our products are suitable for the consumers we target.

This Target Market Determination is for our Household Loan. It does not provide a complete list of the features and terms and conditions of the Household Loan, and does not take into account any person's individual objectives, financial situation and needs. To make an informed decision, including understanding the nature of the rights, obligations and liabilities of a borrower, further information is available on our website (<https://householdcapital.com.au>) and ASIC's Money Smart website (<https://moneysmart.gov.au/retirement-income/reverse-mortgage-and-home-equity-release>).

## Target market

### ***Product description***

Below is a description of the key attributes that affect whether this product is likely to be suitable for the needs of the target market. The product may be suitable for customers who:

- are 60 years or older
- cannot access other loan products (such as a "traditional" home loan or a personal loan) due to their age or employment status
- do not want or cannot make regular loan repayments
- own their home valued at \$600,000 or more, without a mortgage, or have a small mortgage that can be refinanced
- have a residential property that is located in an eligible postcode such as most capital cities or large regional areas
- have considered their future financial needs including aged care and their estate
- have considered how a reverse mortgage may impact any government benefits such as the Age Pension
- have considered downsizing and would like to remain in their home for the medium term
- have obtained independent professional advice, particularly if they are considering having a reverse mortgage as part of their investment strategy (eg to finance an investment), to allow them to understand the nature of their rights, obligations and liabilities
- are planning to access \$50,000 or more of their home equity responsibly for the purposes listed in the section below

Importantly, the Household Loan is designed specifically for customers that have retired, or are about to retire. For example, as a reverse mortgage, the loan has the following features:

- Repayment of the loan is triggered by permanently leaving the home (eg sell the home, or move to aged care)
- Interest is charged like any other loan, but there's no need to make repayments while still living in the home
- Customer retain full ownership of the residential property and have guaranteed occupancy
- Customers can never be required to repay more than the value of the home when it's sold

***Objectives, financial situation and needs***

This product is designed for a class of consumer whose likely needs, objectives and financial situation (outlined below) are aligned with this product and its key attributes, including:

- consumers who would like to improve their retirement lifestyle by:
  - topping up their retirement income, establishing a contingency fund for living expenses;
  - refinancing a home loan or repay a credit card;
  - improving or maintaining their home;
  - giving to children or grandchildren to help them achieve their own homeownership or education;
  - paying for aged care, at-home care or medical expenses;
- consumers who, having considered their risk profile, would like to have a reverse mortgage to finance an investment strategy.

This product is not suitable for consumers who:

- do not meet the eligibility criteria and/or do not meet our credit assessment requirements;
- are below the age of 60;
- need a loan for business purposes;
- are likely to sell their home in the short-term;
- would like to obtain short term finance without consideration of long-term financial needs;
- do not wish to have a mortgage registered on their residential property;
- do not wish their loan balance to increase over time;
- wants full proceeds of the sale of their residential property;
- have assets other than their residential property (eg shares) that they could or would prefer to utilise (eg sell) to meet their needs or objectives;
- if using a reverse mortgage as part of their investment strategy (eg to finance an investment), do not understand the nature of their rights, obligations and liabilities, and/or have not prepared for their investment's actual gains not meeting their expected outcome or return;
- have low levels of financial or technological literacy;
- are in, or likely to experience, financial hardship;
- are vulnerable, including those who are:
  - suffering any form of cognitive impairment;
  - suffering from any illness affecting capacity;
  - suffering from personal or financial circumstances causing significant detriment;
  - feeling pressured to assist someone else financially.

## **Consistency between target market and product**

This product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of the class of consumers in the target market, as we consider that it provides the required type of finance for that class of consumers.

We have made this determination based on an assessment of this product, including its key attributes. Individual consumers will need to consider whether this product meets their specific objectives, financial situation and needs.

## Distribution

We will have oversight over how the Household Loan is promoted and issued. In addition, the following distribution conditions apply to this product:

- This product can only be distributed by us or distributors who have received training (both initial and on-going/regular) and relevant accreditation.
- All advertising content is designed specifically to target the target market.
- Regardless of a customer's finance structure or investment strategy, no one loan purpose is promoted over any other purposes, and any loan purpose is driven entirely by the customer's own objectives, financial situation and needs.
- We have verified that the product is not unsuitable, and that a potential customer falls within the target market during the onboarding process, meets all eligibility criteria, and has appropriate borrowing capacity.
- All our process requirements must be met. In particular, for customers who requested to use the Household Loan in part or wholly for investment purposes, the loan will only be made conditional upon the customer obtaining independent financial advice (IFA) in relation to the loan, the investment strategy and the financial risks involved. The IFA is to be provided by a licensed and independent financial advisor, and we will verify that IFA has been obtained through receipt of a financial advice certificate.

The distribution conditions will make it likely that consumers who acquire this product are in the target market, as we consider that the distribution conditions are appropriate and will enable us to direct this product to the class of consumers who fall within the target market set out above and benefit from this product. This has been determined based on an assessment of the distribution conditions and the target market.

## Review

We will review this Target Market Determination in accordance with the below:

<b>Initial review:</b>	Within 12 months of the effective date.
<b>Periodic reviews:</b>	Every one (1) year from the initial review.
<b>Review triggers:</b>	<p>When any event or circumstance arises that suggests this Target Market Determination is no longer appropriate. This includes (but is not limited to):</p> <ul style="list-style-type: none"> <li>• material changes to the key attributes of this product;</li> <li>• the occurrence of a significant dealing including when distribution occurs outside the target market;</li> <li>• where the distribution conditions are found to be inadequate;</li> <li>• external events such as relevant litigation, adverse media coverage or regulatory attention;</li> <li>• relevant feedback, information or notification received from regulators such as ASIC;</li> <li>• the use of a regulatory order or direction (including the use by ASIC of its Product Intervention Powers) that expressly states or directly implies that this Target Market Determination is no longer appropriate;</li> <li>• receipt of a large or a materially increased volume of complaints by us or a distributor in any quarter, particularly regarding understanding of risks, key</li> </ul>

	<p>terms, conditions or features of this product;</p> <ul style="list-style-type: none"> <li>• material changes to the overall product performance, such as unexpected changes in sales volume; and</li> <li>• where we detect issues with the distribution of this product through the monitoring of daily business activities as well as the monitoring and supervision of distributors.</li> </ul>
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## Reporting and monitoring

We collect the following information from distributors in relation to this Target Market Determination:

<b>Complaints</b>	Report all complaints in relation to this product on a monthly basis. This will include written details of the complaints.
<b>Significant dealings</b>	Report if they become aware of a significant dealing in relation to this product that is inconsistent with this Target Market Determination within ten (10) business days.
<b>Feedback</b>	Report all feedback in relation to this product (including the performance of this product) on a regular basis.