

Target Market Determination for Bridging Loan Issued by Heritage Bank Limited

Category	Description	
Product:	A short-term variable rate credit facility used to pay out an existing home loan and to fund the deposit for a new home, alongside a residual loan used to purchase a replacement property, bridging the finance gap between selling an existing property already owned and purchasing a replacement property.	
Product Options:	Bridging Loan - Owner-Occupied An option for the product where the replacement property being acquired is an owner-occupied property.	
	Bridging Loan - Investment An option for the product where the replacement property being acquired is an investment property.	
Start Date: Date the determination was made	5 October 2021	
Version:	1.0	
Review Date:	The first review, and each ongoing review, must be completed within each consecutive 1 year period from the Start Date.	
Target Market: Class of consumers that comprise the target market for the product	Consumer Description: This describes consumers in the target market	<p>Objectives & Needs</p> <p>A person who may own an existing residential property financed and secured under a pre-existing home loan facility and may seek to purchase a replacement property to be financed under a separate 'residual loan', such as a separate fixed or variable credit facility, but who may not want to commence making repayments on the bridging loan facilities used to purchase the replacement property until the sale of the existing property has settled.</p> <p>Financial Situation</p> <p>A person who owns a residential or investment property with sufficient equity and access to funds to pay fees, interest and repayments as and when such amounts become due and payable under this bridging loan and under the residual loan.</p>
	Product Description: This describes the product	<p>A variable rate loan with the following key attributes:</p> <ul style="list-style-type: none"> the ability to use the equity in the existing property to act as security for the deposit of the replacement property and may be used to pay off any home loan for that existing property; accrued interest and fees are added to the loan balance and become due and payable along with the principal at the end of the loan term or when the sale of the existing property is completed; and to be made alongside a new 'residual loan' used to purchase the replacement property. <p>In general, it is only available to consumers that meet standard eligibility criteria.</p>
	Appropriateness Statement: This explains why the product is consistent with the likely objectives, financial situation and needs of the target market	The product is appropriate for the target market on the basis that the key attributes of the product listed in this determination directly address the objectives, financial situation and needs of consumers in the target market as described in this determination.
Distribution Conditions: The conditions and restrictions on the distribution of the product	Marketing and Promotion This condition applies to marketing and promotional materials that describe the product	<p>Condition 1</p> <p>A distributor must only market and promote the product through:</p> <ul style="list-style-type: none"> advertising on television, radio, the internet (including social media), billboards and physical banners, brochures and other marketing material available to the general public; in person recommendations to access marketing material (including in branch communications and through broker networks); and any other issuer approved communication channels (including telephone, email and social media). <p>This condition is appropriate as the target market is wide.</p>
	Retail Product Distribution Conduct (other than Marketing) This condition applies to all conduct (other than marketing) such as issuing, arranging and providing disclosure material	<p>Condition 2</p> <p>A distributor must only engage in retail product distribution conduct (other than general advice) through:</p> <ul style="list-style-type: none"> in person communications (including in branch and through broker networks); the issuer's and other third party digital platforms; and any other issuer approved communication channels (including telephone, email and social media). <p>This condition is appropriate as the issuer has distributed this product using these methods, with limited risk to consumers.</p>

		<p>Condition 3</p> <p>A distributor must only engage in retail product distribution conduct (other than marketing and promotion activity) if it has identified the key difference between:</p> <ul style="list-style-type: none"> the product; and other separate credit products issued by the issuer. <p>This condition is appropriate as it requires a distributor to confirm that the consumer is in the target market. It is also appropriate as the issuer has distributed this product by third parties, with limited risk to consumers.</p>
<p>Review Triggers:</p> <p>The events and circumstances that would reasonably suggest the determination is no longer appropriate</p>	<p>The issuer, and any distributor of this product, must cease retail product distribution conduct in respect of this product when the issuer determines a material event or circumstance has occurred in relation to:</p>	
	<p>Material Complaints</p>	<p>material complaints (in number or significance) in relation to the terms of this product and / or the distribution conduct.</p>
	<p>Hardship Requests, Defaults & Refinances</p>	<p>a significant number of default notices, hardship requests or refinance requests related directly to the appropriateness of the loan that the issuer determines may relate to the appropriateness of the determination.</p>
	<p>Distributor Feedback</p>	<p>reporting from distributors, or consistent feedback from distributors on the target market which suggests that the determination may no longer be appropriate.</p>
	<p>Substantial Product Change</p>	<p>a substantial change to the product that is likely to result in the determination no longer being appropriate for the target market.</p>
	<p>Significant Dealing</p>	<p>a material pattern of dealings in the product or of distributor conduct that is not consistent with the determination.</p>
	<p>Notification from ASIC</p>	<p>a notification from ASIC requiring immediate cessation of product distribution or particular conduct in relation to the product.</p>
<p>Reporting Period:</p>	<p>The reporting period for this determination is every 6 months commencing from the Start Date.</p>	
<p>Reporting Information:</p> <p>The kinds of information needed to identify whether a review trigger has occurred, who must report this information and the reporting period</p>	<p>A distributor that engages in retail product distribution conduct in respect of this product must provide the following information in writing to the issuer within the times specified below:</p>	
	<p>Complaint Information</p>	<p>Information about complaints received in relation to the product during the reporting period, and if complaints were received, a description of the number of complaints and the nature of the complaints received and other complaint information set out in paragraph RG 271.182 of Regulatory Guide 271 Internal dispute resolution.</p> <p>The distributor must provide the information as soon as practicable, or in any event, within 10 business days after the end of each reporting period.</p>
	<p>Hardship Requests, Defaults & Refinances</p>	<p>Information about defaults, hardship requests or refinance requests related directly to the unsuitability of the loan.</p> <p>The distributor must provide the information as soon as practicable, or in any event, within 10 business days after the end of each reporting period.</p>
	<p>Distributor Feedback</p>	<p>Information discovered or held by the distributor that suggests that the determination may no longer be appropriate.</p> <p>The distributor must provide the information as soon as practicable, or in any event, within 10 business days after the end of each reporting period.</p>
	<p>Significant Dealing</p>	<p>Information about any significant dealing in the product that is not consistent with the target market determination of which the distributor becomes aware.</p> <p>The distributor must provide the information as soon as practicable, or in any event, within 10 business days after becoming aware of the significant dealing.</p>
	<p>Information Requested by Issuer</p>	<p>Information reasonably requested by the issuer.</p> <p>The distributor must provide the information by the date requested by the issuer.</p>
<p>Notes:</p> <p>Other information relevant to the distribution of the product</p>	<p>Nil</p>	

Document Control

Version	Date	Comments
1.0	5 October 2021	Determination commenced as a result of the new DDO Regime.