

# Non-conforming Construction Loan 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 Pepper Money's Non-conforming home loan construction product. 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:

- General Terms & Conditions
- Pepper Money Loan Agreement
- Mortgage Common Provisions

## Target market determination date

29 January 2026

# 2. Product

Non-Conforming Construction Loan

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

The features of this product, including its key attributes, have 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.
  - 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:
  - Constructing a new residential property for owner occupied or investment purposes.
  - Renovating an existing residential real property for owner occupied purposes.
- Are able to manage repayments which can change at any time.

## Key product features and attributes

This product has the following features and attributes:

- Variable interest rate only.
- Principal and Interest repayments. Interest Only (IO) repayments on balance of loan during construction period (maximum of 18 months) followed by Principal and Interest repayments for the remainder of the loan term
- 100% interest offset sub-account available with Visa debit card access<sup>1</sup> once construction has been completed.
- Maximum Loan to Value Ratio (LVR) 95%<sup>2</sup>
- Maximum loan amount A\$2,000,000, minimum loan amount A\$100,000<sup>2</sup>
- Maximum loan term 30 years, minimum loan term 10 years<sup>2</sup>.
- Repayments available monthly, fortnightly and weekly.
- Purchases and refinances of land is acceptable as long as there is an executed building contract in place.
- Ability to make structural changes to an existing owner-occupied property.
- Ability to make additional repayments at no additional cost.

<sup>1</sup> Visa debit card issued by Indue Limited ABN 97 087 822 464 and distributed by Pepper Finance Corporation Limited ACN 094 317 647 and/or through Pepper Money accredited mortgage brokers.

<sup>2</sup> 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.

- Ability to redraw additional repayments after the construction period has ended.
  - Availability of a Visa debit card<sup>1</sup> once construction has been completed for everyday access to additional funds including ATMs.
  - Access to manage loan online including BPay.
  - 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 LVR, the loan term and the nature of the security property. A risk loading may apply.
  - Fees and charges<sup>2</sup> 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; and
- Want the availability of a Visa debit card<sup>1</sup> for everyday access to additional funds held in the offset sub-account, including at ATMs.

The 100% interest offset sub-account feature and Visa debit card<sup>1</sup> is not available during the construction period.

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

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

- Want 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.
- Understand that they will make IO repayments on the loan balance during the construction period (maximum 18 months) followed by Principal and Interest repayments for the remainder of the loan term.

#### Construction of an owner-occupied residential property<sup>2</sup>

This product allows consumers to finance the construction of an owner-occupied residential property with the ability to select principal and interest repayments in order to reduce the overall debt and build equity or interest only during the construction stage.

#### Renovating an owner-occupied residential property<sup>2</sup>

This product allows consumers to finance the renovation of an owner-occupied residential property to increase the value of their property whilst paying principal and interest repayments in order to reduce the overall debt and build equity.

#### Construction of an investment residential property<sup>2</sup>

This product allows consumers to finance the construction of an investment residential property with the ability to select principal and interest repayments in order to reduce the overall debt and build equity or interest only for tax purposes.

#### Renovating an investment residential property<sup>2</sup>

This product allows consumers to finance the renovation of an investment residential property to increase the value of their property whilst paying principal and interest repayments in order to reduce the overall debt and build equity or interest only for tax purposes.

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## Consumers for whom this product may not be appropriate

This product may not be appropriate for individuals who:

- Do not meet the non-conforming target market criteria.
- Qualify for a Prime Construction Loan.
- Need to borrow greater than 95% LVR.
- Require a loan term greater than 30 years.
- Require a fixed interest rate loan.
- Require a loan with Interest Only repayments after the construction period.
- Do not have ongoing income and/or employment.
- 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

This product is designed to be distributed through the following distribution 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**).

### Distribution Conditions

Conditions specified below are deemed appropriate and that most of the customers who acquire the products will likely be in the target market if distributed in accordance with them. These conditions:

- Limit the channels through which the products can be provided, thereby ensuring that applications are only received through channels that are subject to appropriate conditions, controls and monitoring;
- Ensure that those who distribute the products (e.g. mortgage brokers and Pepper Money staff) are adequately trained, accredited, monitored, and subject to other compliance obligations; and
- Ensure these products are only distributed in accordance with a consistent application and assessment process:
  - Subject to controls in our application and approval systems that ensure that appropriate information is gathered about applicants, including:
    - Financial information, which is analysed to assess whether the customer will be able to meet their financial obligations without substantial hardship; and
    - Making reasonable inquiries with customers about their needs and objectives in relation to the products.
  - Only approved by us in line with our credit assessment policy after a completed application is received from an eligible customer, which makes it likely that the product is affordable for the customer based on their financial situation as reported to us at the time of assessment.

### When distributed by a third party:

Mortgage brokers may only submit an application for a Home Loan:

- Using approved application systems, forms and documents, where authorised employees of third-party introducers will receive this TMD when first provided access to the origination system.
- Where they are accredited with Pepper Money and have met Pepper Money's training requirements, demonstrated adequate skills and knowledge to distribute the product in accordance with this TMD.
- Where they are a member or representative of a mortgage aggregator or other third-party introducer which has:
  - Been accredited by Pepper Money; and
  - Entered into an agreement with Pepper Money that is subject to legal and regulatory obligations that the aggregator and the broker must meet; and
  - Where the mortgage broker or aggregator is required to comply with the Pepper Money Broker Code of Conduct (or an equivalent policy).

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- Where they maintain the licensing or authorisation status necessary to distribute regulated credit products; and
- Where they are not currently subject to any suspension or revocation of that accreditation.

If aggregators and mortgage brokers fail to comply with the above requirements, it may result in Pepper Money terminating their authority to distribute these products.

#### When distributed directly by Pepper Money:

- Only appropriately authorised Pepper Money staff that have satisfied training requirements (including but not limited to training to understand and discuss the benefits, rates, fees and key differences between these products) may distribute these products.
- Advertising materials are prepared in accordance with appropriate Pepper Money processes and controls, to ensure that those materials are consistent with this TMD

## 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	This TMD will be reviewed if any of the events should occur: <ul style="list-style-type: none"> <li>• 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/</li> <li>• 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.</li> <li>• A significant dealing of the product to consumers outside the target market occurs.</li> <li>• External events such as adverse media coverage or regulatory attention suggest that the target market for the product might not be appropriate;</li> <li>• 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); or</li> <li>• 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.</li> </ul>

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 Pepper Money Home Loan product, if not available to Pepper Money.

Distributors should provide all reporting to [ddoreporting@pepper.com.au](mailto: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"> <li>• The date on which or the date range over which the dealing occurred;</li> <li>• A description of the dealing;</li> <li>• An explanation of why the dealing is considered significant;</li> <li>• An explanation of why the dealing is considered to be inconsistent with the TMD;</li> <li>• How the dealing was identified (e.g., through monitoring, complaints etc.); and</li> <li>• Detail of what steps have been or will be taken in relation to the significant dealing.</li> </ul>	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.

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