



# Target Market Determination

## HSBC Home Equity loan

Date: 5 October 2021



HSBC

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# Product Description (including Key Attributes)

HSBC's Home Equity loan is a line of credit, residential property home loan product (bundled with a Visa Debit card) with:

- a loan amount between \$20,000 and \$1 million
- no minimum or maximum loan term
- the ability to borrow up to 80% of the property value
- the ability to make unlimited additional repayments and redraw for free
- no monthly service, loan establishment or settlement fees

## The key attributes are:

- a variable interest rate
- the ability to make interest only repayments
- a line of credit

## It comes with the following additional features:

- the ability to access funds, including by Visa Debit card
- the HSBC Home Loan Package to obtain a discounted interest rate and have the establishment and settlement fees waived (eligibility criteria and annual fee apply)

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## Target Market

The target market for this bundled product is the class of persons who are consumers and who have the following likely objectives, needs and financial situation.

### Likely objectives

Consumers with **any one or more** of the following likely objectives:

- purchase a residential property
- to re-finance an existing home loan in respect of a residential property
- to access equity built up in an existing residential property
- to consolidate debts

### Likely needs

Consumers with **any one or more** of the following needs:

- to take advantage of potential future interest rate decreases earlier than if the rate were fixed
- the ability to make unlimited additional repayments and redraw
- the ability to access funds as required, including by Visa Debit card

**and**

Consumers with **all** of the following needs (these are customisable at point of sale):

(i) with respect to interest-only repayments:

- the ability to manage variable and unpredictable income and/or expenses

**and**

(ii) with respect to the loan amount:

- to borrow minimum of \$20,000 and maximum of \$1 million

**and**

(iii) with respect to an overall term:

- a term with no minimum or maximum (evergreen)

### **Likely financial situation**

Consumers who satisfy each of the following:

- in any one or more of the following life stages:
  - first home buyers, subsequent home buyers or re-financers; and
  - owner/occupiers or investors
- are at least 18 years of age
- employed, self-employed or earning another form of income and with ongoing, regular and reliable income for the foreseeable future or an anticipated change to their income and with sufficient surplus discretionary income (after tax, living expenses and financial commitments) to make the required loan repayments
- hold a minimum 20% deposit in savings or equity in property

### **Dependencies**

The class of persons must meet **all** of the following at the time of application:

- HSBC's lending criteria
- Australian resident definition
- Home Loan Package eligibility; and
- No Lenders Mortgage Insurance (LMI) requirement

### **Explanation**

The product and its key attributes are likely to be consistent with the likely objectives, financial situation and needs of the target market because:

- a variable interest rate moves with the market, which is consistent with consumers who wish to take advantage of potential future interest rate decreases earlier than if the rate were fixed
- the ability to access funds (up to the approved limit) and make interest only repayments is consistent with consumers who wish to manage monthly repayments and limit principal reduction

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## **Distribution Conditions**

This product can only be distributed directly by HSBC Bank Australia Limited or through certain third parties (Visa Debit card may not be distributed separately).

### **Direct Channel Conditions**

All customers are directed to an HSBC Relationship Manager (RM) to conduct an interview and assist with the application, regardless of channel (e.g. online, branch, phone etc.).

RMs are available via:

- face-to-face in an HSBC branch
- over the telephone with the HSBC contact centre

Applications for this product can only be made using HSBC's application form with an HSBC RM. Applications cannot be completed via HSBC's website or through online or mobile banking.

All marketing identifies the product or product type and refers customers to the channels above.

## Third Party Channel Conditions

This product is distributed through the following third party channels:

- comparison websites – only those with whom HSBC has an agreement, where factual information about the key attributes of the product are hosted together with a link to HSBC’s public website and no additional marketing is conducted
- Mortgage Brokers – only those that (i) have a contract with an aggregator with whom HSBC has a contract; (ii) are accredited by HSBC and have not lost their accreditation; (iii) use HSBC’s origination system and forms and (iv) do not conduct any marketing of the product other than displaying HSBC’s logo on their websites

## Explanation

The distribution conditions will make it more likely that the consumers who acquire the product are in the target market because:

- the application process makes inquiries about the customer’s requirements and objectives for the home loan as well as financial situation, and each home loan application is assessed by an HSBC Underwriter to ensure applicants satisfy HSBC lending guidelines
- comparison websites can only refer/introduce
- all applications are restricted to HSBC RMs and third party Mortgage Brokers who are required to complete training and/or accreditation to be able to recommend this product and have access to HSBC’s system and forms
- online marketing is designed to direct all enquiries to an HSBC RM

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# Review Triggers

If, in HSBC’s view, any of the following occur:

- where there is significant dealing outside the target market
- where there is a significant number of complaints in relation to the product
- where there is a material change to the product features or the terms and conditions of the product
- where there is a significant number of customers switch to another product within the first 3 months
- where there is a significant increase to the number of defaults

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# Review Periods

Unless a review trigger occurs:

- **first review date:** 5 October 2022
- **periodic reviews:**
  - next review completed by: 5 October 2023
  - maximum period between reviews: 12 months

# Distribution Information Reporting Requirements

Distributor	Type of information	Frequency	Reporting period
Comparison websites	Information on all complaints received in relation to the product, HSBC or the distributor	Quarterly	Within 10 Business Days of the end of the quarter
Mortgage brokers	Information on all complaints received in relation to the product, HSBC or the distributor	Within 3 business days of the complaint being made	N/A – reported per complaint
Mortgage brokers	Significant dealing(s) - date or date range of the significant dealing(s) and description of the significant dealing (e.g. why it is not consistent with the TMD)	As required	Within 10 business days after becoming aware of any significant dealing

## Disclaimer

For more information about HSBC home loans, visit [www.hsbc.com.au](http://www.hsbc.com.au)