



Target Market Determination

HSBC Standard Variable Rate Home Loan

Date: 5 October 2021



HSBC

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Product Description (including Key Attributes)

HSBC's Standard Variable Rate home loan is a residential property home loan product (bundled with an offset account and Visa Debit card) with:

- a loan amount between \$50,000 and \$15 million
- a term of up to 30 years
- the ability to borrow:
 - up to 80% of the property value without Lenders Mortgage Insurance
 - up to 90% of the property value with Lenders Mortgage Insurance
- the ability to choose either principal and interest, or interest only repayments
- the ability to repay weekly, fortnightly or monthly where principal & interest repayments apply
- no monthly service fees but loan establishment and settlement fees apply

The key attributes are:

- a variable interest rate
- the ability to make additional repayments and access to redraw
- the ability to offset interest calculations with an offset account and access to these funds as required

It comes with the following additional features:

- the ability to access the offset account funds by using a HSBC Visa Debit card
- the ability to apply and include the product in 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)

Target Market

The target market for this 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:

- to purchase or construct 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
- to reduce interest payable by making additional repayments and/or hold funds in an offset account
- to access offset funds by using a 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

OR

with respect to principal & interest repayments:

- the ability to minimise interest paid over the life of the loan
- the ability to build up equity from the commencement of the loan; and/or
- the ability to repay loan sooner on account of reduced interest repayments

and

(ii) with respect to the loan amount:

- to borrow minimum of \$50,000 and maximum of \$15 million

and

(iii) with respect to an overall term:

- a term between 1 year and 30 years

If customers choose to take out the HSBC Home Loan Package (eligibility criteria applies)

- the ability to reduce the interest rate payable
- the ability to waive the establishment and settlement fees

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 10% - 20% deposit in savings or equity in property

Dependencies

The class of persons must meet HSBC's lending criteria at the time of application.

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 make unlimited additional repayments and offset account provided is consistent with consumers who wish to minimise interest payable
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Distribution Conditions

This product can only be distributed directly by HSBC Bank Australia Limited or through certain third parties (Offset account and 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 made or 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. Where the purpose of the loan is for construction, this product is not available for distribution through mortgage brokers

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

Review Triggers

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 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