

Target market determination – Heartland Reverse Mortgage

1. Background

This is the target market determination (**TMD**) for the purposes of section 994B of the *Corporations Act 2001* (Cth) (**Corporations Act**) for the Heartland Reverse Mortgage. The issuer of Heartland Reverse Mortgages is ASF Custodians Pty Ltd (**Issuer**). This TMD sets out certain information relevant to the Issuer's compliance with the design and distribution (**DDO**) framework in the Corporations Act, including the:

- Class of consumers that makes up the target market for the Heartland Reverse Mortgage;
- Conditions that will be imposed on the distribution of the Heartland Reverse Mortgage;
- Requirements for the Issuer to review the TMD; and
- Requirements for distributors to report certain information to the Issuer.

This TMD does not provide a complete list of the features and terms and conditions of the Heartland Reverse Mortgage. This TMD should be read in conjunction with the Reverse Mortgage Guide, Heartland Reverse Mortgage Brochure and Product Guide, Heartland Reverse Mortgage application form, Reverse Mortgage Information Statement and other information available on Heartland's website in relation to the Heartland Reverse Mortgage, including information relating to loan and drawdown flexibility, fees and interest rates. If a loan application is approved, the Loan Agreement issued following any approval will govern the specific terms and conditions that apply to that particular Heartland Reverse Mortgage.

This TMD has been prepared without taking into account any person's individual needs, objectives, or financial situation. If you are considering a Heartland Reverse Mortgage, we encourage you to understand how it may affect your personal circumstances – talk to friends and family, speak to Heartland's Customer Care team, Centrelink and other professionals (such as, independent legal and financial advisers) and use the resources and loan projection tools (such as ASIC's MoneySmart Reverse Mortgage Calculator and Reverse Mortgage Information Statement) that Heartland has available.

2. TMD Information

Product name	Heartland Reverse Mortgage
Issuer name	ASF Custodians Pty Ltd
ABN	49 106 822 780
ACN	106 822 780
Australian Credit Licence No.	386781
Date of TMD	3 September 2021
TMD version no.	Version 1

3. Target market for Heartland Reverse Mortgages

The class of consumers that makes up the target market for Heartland Reverse Mortgages is set out below.

Target market description	Heartland Reverse Mortgage description, including key attributes	Appropriateness
<p>(a) Likely objectives, financial situation and needs of consumers in the target market</p> <p>The likely objectives, financial situation and needs of consumers in the target market include persons aged 60 and over¹ who fit one or more of the following:</p> <ul style="list-style-type: none"> • Are concerned about having sufficient income to fund a comfortable retirement or lifestyle, e.g. because they have a large proportion of their wealth tied up in their residential property or properties, but a low level of savings and limited other assets. • Want to fully own and remain living in, or retain, their residential property for as long as they wish, while releasing some of the equity in their property for a purpose that helps them live a more comfortable retirement or lifestyle and benefitting from any potential increase in their property value. • Do not want to, or cannot afford to, make regular loan repayments. • Cannot access other loan products (e.g. a normal home loan, personal loan, credit card or overdraft) due to their age or employment status. • Want flexibility on how they draw the funds under their loan and the ability to make voluntary repayments and re-draw any voluntary repayments made. • Require additional funds, accessed from the equity from their residential property, for any other purpose assessed by the 	<p>Description of the Heartland Reverse Mortgage and its key attributes</p> <p>A Heartland Reverse Mortgage:</p> <ul style="list-style-type: none"> • allows persons aged 60 and over to access part of the equity in their property for any purpose that helps them live a more comfortable retirement or lifestyle (such as, paying off debt or debt consolidation, home improvements, day-to-day expenses, travel and holidays, buying a car, aged care and in-home care); • is secured against the primary place of residence or their non-owner-occupied residential property (holiday home or investment property) or, in the case of the aged care option, secured against what was their primary place of residence or holiday home or investment residential property; • provides nominated borrowers with flexible drawdown options², being lump sum, regular advances³ or a cash reserve facility (or a combination of these options), with interest only charged on funds that are drawn down; and • protects nominated borrowers through lifetime occupancy (other than in the case of the aged care option) and no negative equity guarantees. Nominated borrowers can also choose an equity protection option.⁴ <p>Borrowers are not required to make regular repayments and a Heartland Reverse Mortgage becomes repayable when the property is sold or 12 months after the last nominated borrower moves permanently from their home (for owner occupied property)⁵; this could occur due to a move to long-term care or because they pass away.</p>	<p>The Issuer considers the Heartland Reverse Mortgage (including, its key attributes) is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market because:</p> <ul style="list-style-type: none"> • The Heartland Reverse Mortgage is a loan that has been especially designed to provide people aged 60 and over who own residential property with the financial freedom to enjoy their retirement or lifestyle. • The key attributes of the Heartland Reverse Mortgage include a number of eligibility criteria which mean that only consumers in the target market (with the likely objectives, financial situation and needs described in this TMD) are able to access this product.

¹ This TMD includes references to the requirement for the nominated borrower(s) of a Heartland Reverse Mortgage to be aged 60 or over. These references should be read so that where one nominated borrower is aged 60 or over and has a partner between the ages of 55 and 59, a Heartland Reverse Mortgage will be able to be accessed on an owner-occupied home, subject to lending criteria, terms and conditions. Owner owners of the property may be borrowers, however, will not be nominated as receiving the relevant protections under the Reverse Mortgage.

² Subject to minimum advance requirements.

³ For up to 10 years or for up to 5 years for the aged care option.

⁴ Protection of up to 50% of the net proceeds from the sale of the property.

⁵ Provided the loan is not in default and unless the aged care option applies (in which case repayment is due 5 years after the commencement date or, if earlier, 12 months after the last nominated borrower moves permanently out of care).

Target market description	Heartland Reverse Mortgage description, including key attributes	Appropriateness
<p>Issuer as suitable, without having to liquidate their residential property or other assets.</p> <ul style="list-style-type: none"> Want the benefit of the protections and safeguards afforded by a reverse mortgage (including, a lifetime occupancy and no negative equity guarantee). In respect of the aged care option, are residing in or planning to move to permanent long-term care. In respect of the secondary property option, are using their holiday or investment property as security. Require a reverse mortgage as part of their investment strategy or finance structure. <p>(b) Eligibility characteristics of consumers in the target market for Heartland Reverse Mortgages</p> <p>Consumers in the target market for Heartland Reverse Mortgages will have the following eligibility characteristics:</p> <ul style="list-style-type: none"> the nominated borrowers are aged 60 and over (or at least one nominated borrower is aged 60 and over and the other nominated borrower is aged between 55-59); they own a residential property which: <ul style="list-style-type: none"> is their primary place of residence or their non-owner-occupied property (holiday home or investment property); and meets the additional eligibility criteria for a Heartland Reverse Mortgage described in the “Heartland Reverse Mortgage description, including key attributes” column or is approved as a non-standard, non-conforming, or non-qualifying loan on the basis of good customer outcomes and a credit and responsible lending assessment being undertaken; in respect of the aged care option, are residing in or planning to move to permanent long-term care. 	<p>The principal repayment strategy therefore is to use the proceeds from the sale of the property.</p> <p>A Heartland Reverse Mortgage is offered only at a variable interest rate (which is subject to change).⁶ This provides flexibility, as voluntary repayments can be made at any time without penalty.</p> <p>Over time, the loan balance of a Heartland Reverse Mortgage will grow (unless voluntary loan repayments are made) due to interest being capitalised and added to the loan on a regular basis (compounding interest).</p> <p>There are limits on the amounts that Heartland will lend under a Heartland Reverse Mortgage. The maximum amount which can be advanced under a Heartland Reverse Mortgage varies according to the age of the youngest nominated borrower and the valuation of the secured property, and is calculated by applying a loan to value (LVR) ratio.⁷</p> <p>Additional eligibility criteria for the Heartland Reverse Mortgage are that:</p> <ul style="list-style-type: none"> there are no more than two nominated borrowers; the property is a residential property (zoned residential, rural residential, or rural) of conventional construction and good repair and meets size criteria; the minimum property value is \$200,000 and is also dependant on location; the property must be mortgage free (unless the Heartland Reverse Mortgage is used to repay any outstanding mortgage); and the property is not in a retirement village. 	

⁶ The current rate and fees are included in the Heartland Reverse Mortgage Fee Schedule.

⁷ Maximum loan amounts under a standard reverse mortgage, for a reverse mortgage where the property is a non-owner-occupied-property, and/or where the aged care option is selected, are included in the Heartland Reverse Mortgage Product Guide.

Target market description	Heartland Reverse Mortgage description, including key attributes	Appropriateness
<ul style="list-style-type: none"> • they have obtained independent legal advice to allow them to understand the nature of their obligations under a Heartland Reverse Mortgage and evidenced that they have received this advice; and • they have had the opportunity to: <ul style="list-style-type: none"> ○ speak with their family about obtaining a Heartland Reverse Mortgage; ○ consider the implications of a Heartland Reverse Mortgage on their Centrelink entitlements, any potential bequeathment, and future aged care needs; and ○ obtain financial advice if they wish to do so. <p>(c) Classes of consumers for whom a Heartland Reverse Mortgage is clearly unsuitable</p> <ul style="list-style-type: none"> • Those aged under 60 (unless one nominated borrower is aged 60 and over and the other is aged between 55-59). • Those who do not own residential property. • Those who do not have enough equity available in their property to meet the LVR criteria for a Heartland Reverse Mortgage or cannot access the amount they need. • Those whose property does not meet the additional eligibility criteria for a Heartland Reverse Mortgage described in the “Heartland Reverse Mortgage description, including key attributes” column or who are not approved as a non-standard, non-conforming, or non-qualifying loan on the basis of good customer outcomes. • Those who do not wish to have a mortgage registered over their property. • Those who do not wish their loan balance to increase over time and do not intend to make repayments to ensure this does not happen. • Those who would prefer to sell their property and use the balance of the sale proceeds to fund their requirements and objectives. 		

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REVERSE MORTGAGES

Target market description	Heartland Reverse Mortgage description, including key attributes	Appropriateness
<ul style="list-style-type: none"> • Those who have other assets in addition to their residential property that they are comfortable and would prefer to sell to fund their retirement or lifestyle needs (e.g. liquidating a share portfolio, accessing cash savings or selling an investment property or holiday home). • Those who do not wish to have to sell their property to fund the repayment of their loan and are unlikely to have another avenue for repayment (e.g. those that wish to bequeath 100% of their property to their family). • Those who will likely require the full proceeds of the sale of their property to fund their financial needs in retirement (e.g. to fund aged care living). • Those on the aged pension, and who are likely to suffer significantly as a result of receiving a reduced or no aged pension, due to obtaining a Heartland Reverse Mortgage, and, if this was the case, have not put in place other measures to ensure they are able to afford their future needs and/or are not comfortable having their aged pension reduce. 		

4. Distribution conditions for Heartland Reverse Mortgages

The conditions and restrictions which apply to the distribution of Heartland Reverse Mortgages are set out below.

Distribution conditions	Appropriateness				
<p>Heartland Reverse Mortgages are suitable for distribution only by:</p> <table border="1" data-bbox="114 443 1093 831"> <thead> <tr> <th data-bbox="114 443 734 480">Distributor</th> <th data-bbox="734 443 1093 480">Channel</th> </tr> </thead> <tbody> <tr> <td data-bbox="114 480 734 831">Australian Seniors Finance Pty Ltd (ASF)</td> <td data-bbox="734 480 1093 831"> <ul style="list-style-type: none"> Online via Heartland Reverse Mortgage application and website In person, over the phone, via web chat, online or by email through ASF's Customer Care team - whether as a result of direct customer contact or via a third-party distributor (described below) </td> </tr> </tbody> </table> <p>Third party intermediary distributors who:</p> <ul style="list-style-type: none"> Have entered into a contractual arrangement with ASF on terms and conditions acceptable to ASF (at its discretion); or Are a member of an aggregator or a broker group which has entered into a contractual arrangement with ASF (as described above) and have been accredited by ASF, and <p>have otherwise met (and continue to meet on an on-going basis) ASF's requirements for distributors of Heartland Reverse Mortgages.</p> <p>Third party referral distributors who:</p> <ul style="list-style-type: none"> Have entered into a contractual arrangement with ASF on terms and conditions acceptable to ASF (at its discretion); and Are considered a distributor under the DDO; and 	Distributor	Channel	Australian Seniors Finance Pty Ltd (ASF)	<ul style="list-style-type: none"> Online via Heartland Reverse Mortgage application and website In person, over the phone, via web chat, online or by email through ASF's Customer Care team - whether as a result of direct customer contact or via a third-party distributor (described below) 	<p>The Issuer considers the distribution conditions will make it more likely that the consumers who acquire a Heartland Reverse Mortgage are in the target market because:</p> <ul style="list-style-type: none"> Heartland Reverse Mortgages can be distributed only directly by ASF or those third-party distributors which ASF has entered into a contractual relationship with, and only if the intermediary distributor is accredited and provided with initial and ongoing training, in respect of the Heartland Reverse Mortgage and its target market. Advertising content is targeted specifically to the target market. All applicants, regardless of the distribution channel, must complete the same application and (if direct) have engagement with ASF's Customer Care team in accordance with well-developed processes and procedures, or (if through intermediary distributors) have also completed relevant disclosures and sign off with the consumer. ASF's Customer Care team receives regular training in relation to the Heartland Reverse Mortgage, including its key attributes and dealing with vulnerable customers and elder financial abuse. Intermediaries must be fully accredited, which includes the completion of training module(s) Screening questions are used by ASF's Customer Care team when dealing with applicants. Applications received through third-party distributors must be accompanied by confirmation that the appropriate screening process has been followed and disclosures made. The online Heartland Reverse Mortgage application via Heartland's website incorporates auto-decisioning elements that ensure applicants who do not satisfy certain eligibility criteria cannot proceed with an application. Third-party distributors are not agents of the Issuer or ASF. All approval decisions are made by ASF (on behalf of the Issuer, in accordance with documented origination procedures) at its sole discretion. A compliance call is made to all applicants prior to final approval. The key attributes of the Heartland Reverse Mortgage are documented in a Lending Standard and Origination and Servicing Procedures which sets out the current, credit decisioning criteria and processing steps for Heartland Reverse Mortgages. All lending decisions must be made by ASF in accordance with these documents and must align with respective delegated lending authorities.
Distributor	Channel				
Australian Seniors Finance Pty Ltd (ASF)	<ul style="list-style-type: none"> Online via Heartland Reverse Mortgage application and website In person, over the phone, via web chat, online or by email through ASF's Customer Care team - whether as a result of direct customer contact or via a third-party distributor (described below) 				

HEARTLAND

REVERSE MORTGAGES

Distribution conditions	Appropriateness
<ul style="list-style-type: none">• Provide customer contact details to Heartland directly, who arrange customer vetting and the application process directly.	<ul style="list-style-type: none">• Referral applications are managed by our Customer Care team and follow the same process as direct channel applications.• If the purpose of a reverse mortgage is for business or investment purposes (excluding for the financing or refinancing of an investment property) then independent financial advice is required.

5. Issuer review requirements

The Issuer must carry out both:

- Initial and periodic reviews; and
- Triggered reviews (upon the occurrence of certain events that reasonably suggest this TMD is no longer appropriate),

of this TMD.

The frequency of the initial and periodic reviews and the circumstances in which a triggered review will occur are set out below.

Initial and periodic reviews	Review triggers
<p>The initial review will occur by the date which is 5 October 2022.</p> <p>Periodic reviews will occur every 2 years after the initial review and each subsequent periodic review.</p> <p>Reviews will also occur following a review trigger (see the 'Review triggers' column).</p>	<p>This TMD must be reviewed where there is an event or circumstance that would reasonably suggest this TMD is no longer appropriate, including where any of the following has occurred:</p> <ul style="list-style-type: none"> • There is a material change to the key attributes of the Heartland Reverse Mortgage that make it no longer consistent with the likely objectives, financial situation and needs of consumers in the target market. • The Issuer identifies a substantial divergence in how Heartland Reverse Mortgages are being distributed and purchased, as compared to how the Issuer expected Heartland Reverse Mortgages to be distributed and purchased (as set out in this TMD). • An unexpectedly high number of complaints are received from customers (whether directly to ASF or via third-party distributors) that indicate the Heartland Reverse Mortgage is not suitable for the target market or is not being distributed to the target market. • The Issuer identifies a significant dealing has occurred that is required to be reported to ASIC. • ASIC has utilised its product intervention power in Part 7.9A of the Corporations Act to intervene in relation to the Heartland Reverse Mortgage.

6. Distributor reporting requirements

The information needed from distributors to enable the Issuer to identify promptly when this TMD may no longer be appropriate, whether due to the occurrence of a review trigger or another event or circumstance that would reasonably suggest this is the case, is set out below. The reporting periods for when that information must be provided to the Issuer, and which distributors must provide the information, are also set out below.

Reporting requirement	Reporting period	Which distributor requirement applies to
Whether any complaints have been received by the distributor from Heartland Reverse Mortgage applicants and customers: <ul style="list-style-type: none"> • Number of complaints • Substance of complaints • How complaint was resolved (to the extent it has been) 	Within 10 business days following the end of each calendar quarter when during the period any material feedback was received in respect to a Heartland Reverse Mortgage and as otherwise required by the Corporations Act.	All distributors described in Section 4 of this TMD.
The nature of any material, general feedback received by the distributor from Heartland Reverse Mortgage applicants and customers relating to the Heartland Reverse Mortgage and its performance.	Within 10 business days following the end of each calendar quarter when during the period any material feedback was received in respect to a Heartland Reverse Mortgage and as otherwise required by the Corporations Act.	All distributors described in Section 4 of this TMD.
The description and date of any significant dealing ⁸ that has occurred.	As soon as possible, but no more than 10 business days after the distributor becomes aware of the significant dealing(s).	All distributors described in Section 4 of this TMD.
Any dealings outside the target market (to the extent that the distributor is aware of such dealings), and the reason why the distribution occurred outside the target market.	Within 10 business days following the end of each calendar quarter.	All distributors described in Section 4 of this TMD.

⁸ For example, a distributor may consider a dealing outside the TMD to be significant because (i) they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or (ii) they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer), or (iii) the issuer has reasonably identified the this type of dealing as significant or a regulatory or court identifies this type of dealing as significant.