

Midkey NO MONTHLY PAYMENTS Home Loan - Target Market Determination

This Target Market Determination (TMD) has been prepared in accordance with the *Corporations Act* and associated Regulations.

TMDs are designed to assist issuers in ensuring that the financial products they issue are likely to be consistent with the likely objectives, financial situation, and needs of the consumers for whom they are intended (the target market) and to assist distributors in ensuring that financial products are distributed to the target market.

The TMD is general in nature and should not be construed as financial advice. Consumers should obtain independent advice prior to acquiring the product to ensure that it is appropriate for their objectives, financial situation and needs.

Product	Midkey NO MONTHLY PAYMENTS Home Loan
Issuer	Midkey LOR Pty Ltd ACN 658 316 502 (Midkey)
Date of TMD	10 January 2023
Target Market	<p><i>Description of the target market, including likely objectives, financial situation and needs of consumers in the target market</i></p> <p>The product has been assessed as meeting the <i>likely objectives, financial situation and needs</i> of consumers who satisfy Midkey's eligibility and credit criteria which include, but are not limited to individuals who:</p> <ul style="list-style-type: none"> • are permanent Australian residents or Australian citizens and reside in Australia; • are employed, or are currently unemployed, but have a strong work history and good prospects for future employment; • have an acceptable credit rating and strong history of repaying debts; • have significant home equity (i.e. the value of the home, less any debt owed against the home) and require finance (secured by either a first or second mortgage) to: <ul style="list-style-type: none"> ○ purchase a new residential property; or ○ provide capital to fund personal expenses and investments; or ○ provide capital to allow a homeowner to reduce their primary loan or other traditional debt and thus reduce their monthly interest expenses; • require finance that provides them with the ability to defer all regular payments (i.e., defer typical monthly principal and interest repayments) in exchange for a Midkey Deferral Fee. • require a variable interest rate which is calculated as simple interest (i.e., it does not compound monthly like traditional debt); and <p>The product meets the likely objectives, financial situation, and needs of consumers in the target market because it allows consumers who:</p> <ul style="list-style-type: none"> • cannot increase their traditional home loan or do not have access to a traditional home loan because of their inability to service additional regular principal and interest payments; or • would like to reduce the amount of, or do not wish to have any, debt that requires regular principal and interest repayments,

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to access their existing home equity to:

- purchase a new residential property; or
- provide capital to fund personal expenses and investments; or
- provide capital to allow a homeowner to reduce their primary loan, or other traditional debt and thus reduce their monthly interest expenses.

Description of the product, including key attributes

- Interest that accrues during the term of the loan (i.e., all interest is paid at the end of the loan, or during a partial repayment).
- Variable interest rate, calculated as 'simple interest' (i.e., it is not compounded on a monthly basis like traditional debt).
- Minimum loan amount: \$100,000.
- LVR requirements (where the underwriting valuation is subject to a minimum 5% discount of the appraised value):
 - If the loan is a second mortgage: total borrowing (including both the first and second mortgages) of no more than an effective 80% of the value of the property at the time of underwriting. This product cannot have an LVR of more than 30% of the value of the property; or
 - If the loan is a first mortgage: up to only 35% of the value of the property.
- Types of fees:
 - Start of Loan:
 - Establishment Fee: 1.5% of the loan with a minimum amount of \$3,000, paid from the loan proceeds.
 - Valuation Fee using an independent valuer (charged to the borrower at cost) that ranges from \$330 - \$2,650 (quotes required for homes over \$5m), the applicant pays this directly to the valuer.
 - loan settlement and documentation fees, approx. \$450.
 - End of Loan payments:
 - Midkey Deferral Fee: payable on the *final repayment date* and any time a partial repayment is made prior to the *final repayment date* (calculated in accordance with the Loan Contract).
 - Original principal loan amount.
 - Simple interest (not compounding) accumulated throughout the loan period. The simple interest rate is roughly 1% to 2% higher than a traditional home loan. Midkey charges variable simple interest that is a 3.25% premium to the RBA Cash Rate.
 - Valuation fee (not in all cases) from an independent valuer, that ranges from \$330 - \$2,650 (quotes required for homes over \$5m), applicant pays direct to the valuer.
 - Discharge fee, approx. \$500

Classes of consumers for whom the product may be unsuitable:

This product may not be suitable for consumers who:

- do not meet Midkey's eligibility and credit criteria;
- are seeking:
 - a traditional home loan that allows them to:
 - make principal and interest repayments; and/or
 - have access to the redraw of funds derived from extra repayments;
 - the certainty of fixed repayments over the term of the loan; and

	○ to construct a property.		
Distribution Conditions	Distribution conditions		
	The following distribution channels and conditions have been assessed as being appropriate to direct the distribution of the product to the target market:		
	Channel	Conditions	
	Direct – online or by phone	Only authorised staff are permitted to assist consumers with this product. Authorised staff should have the necessary training, skills, and knowledge to: <ul style="list-style-type: none">• discuss the features, costs, benefits, and risks associated with the product;• assess if the consumer is within the target market; and• comply with our regulatory obligations	
	The distribution channels and conditions are appropriate because: <ul style="list-style-type: none">• our distributors have been trained to understand the product and our regulatory obligations, including our design and distribution obligations; and• our assessment and approval system has controls in place to flag applicants who may be outside the target market.		
Review Triggers	The review triggers that would reasonably suggest that the TMD is no longer appropriate include: <ul style="list-style-type: none">• A significant dealing of the product to consumers outside the target market;• A significant number of complaints is received from customers in relation to the purchase or use of the product that reasonably suggests that the TMD is no longer appropriate;• A material change to the product or the terms and conditions of the product which would cause the TMD to no longer be appropriate;• A significant number of defaults; and• A significant number of applications for hardship.		
Review Periods	First review date: 6 December 2023 Periodic reviews: Every 12 months after the initial and each subsequent review. Trigger reviews: Within 10 business days of the identification of a trigger event.		
Distribution Information Reporting Requirements	The following information must be provided to Midkey by distributors who engage in retail product distribution conduct in relation to this product:		
	Type of information	Description	Reporting period
	Specific Complaints	Details of the complaint, including the complainant's name, contact details, and the substance of the complaint.	As soon as practicable and within 10 business days of receipt of the complaint.
	General Complaints Information	Number of complaints	Every 3 months
	Significant dealing(s)	Date or date range of the significant dealing(s) and description of the significant dealing (eg, why it is not consistent with the TMD)	As soon as practicable, and in any case within 10 business days after becoming aware