Home buyers guide

A step by step guide to buying your first home

RACQ Bank

Living in Queensland

Whether you are planning to buy, invest, refinance or renovate – we're here to help you every step of the way.

RACQ Bank is different to the big four – we put you before profit. We are here to help you on your home buying journey and can support you with a range of home loan options. RACQ Bank's home loan products offer flexible repayment options, competitive interest rates, low fees and member benefits.

This guide is designed to help you find your dream home sooner. It's packed with expert tips and ideas about saving for a deposit, choosing a home loan that's right for your budget and making sure your dream home is fully covered if and when Queensland's weather strikes.

Your home-buying plan

Like any life journey, yours is going to be different. These steps can lead you in the right direction to owning your first home.

Step 1

Working out your budget

Be prepared for costs involved in purchasing a home.

Step 2

Choosing the right loan for you

Find a home loan that suits your lifestyle, financial goals and budget.

Step 3

House hunting like a pro

Research the property market before booking house inspections.

Step 4

Buying your home

Tips for when it's time to transfer the ownership of the property to you.

Step 5

Moving in

This is the fun part! Here's what you need to consider before making the big move.

Step 6

Managing your loan

Tips for keeping on top of your loan repayments and managing your finances when life throws you challenges.

Step 1.

Working out your budget

Saving for a deposit

A house deposit in Queensland can be typically anywhere from 5% to 20% of the purchase price, however the greater the deposit you pay, the less money you will need to borrow. If your loan to value ratio is higher than 80% you may need to pay lender's mortgage insurance. Here are some tips to help you save for a deposit.

DEBT

Reduce debt so you can maximise your saving potential.

Work out where you might need to cut back on your spending. It is worthwhile working out your budget based on how much you want to borrow. racq.com/budget-planner

You can save by using a high-interest savings account with automatic transfers from your salary.

Eligibility for government grants

First Home Owners' Grant

The First Home Owners' Grant provides extra help when saving for a deposit. If you haven't owned a house before, check out the First Home Owners' Grant website to see if you're eligible to apply. You can apply for this when you apply for your mortgage. firsthome.gov.au

Calculating how much you can borrow

Determine how much money you can borrow for a home loan. The amount you can borrow will depend on your:

INCOME

SAVINGS

EXPENSES

BORROWING POWER

Use our online borrowing power calculator to work out an estimate of how much you can borrow for a loan. Be accurate and honest with yourself when it comes to expenses as it will pay off in the long run when you start making repayments. racq.com/borrowing-power

Knowing what your repayments will be

Know what you will be paying over the term of your loan and have confidence that it's within your budget. Use our home loan repayment calculator to forecast your repayments based on the size and type of loan you choose. racq.com/home-loan-repayments

Listing your upfront costs

When you're on a budget it's worth knowing all the extra costs involved in buying a house to avoid any surprises later on. We've got information on some of the most common costs you could end up paying to help you plan in advance.

Building and pest inspections

If you are putting an offer on a house, building and pest should be one of the conditions of the contract. A building inspection will provide a full report on any structural defects and repairs required, while a pest inspection checks for any signs of past or present damage due to pests such as termites. Before purchasing a home at auction it's important to organise a building and pest inspection.

Legal and conveyancing fees

A solicitor or conveyancer is usually engaged by both the buyer and the seller to manage the process of transferring the property and ensuring contract obligations are fulfilled. Solicitors will also perform other searches and checks as well as providing advice to sellers and buyers throughout the process – these services may also result in additional charges.

Bank fees

An establishment fee may be charged to cover costs involved in processing the application and fulfilling the loan through to funding. This includes credit checks, and administrative costs. Make sure you research each banks' fees before submitting an application.

Lenders Mortgage Insurance

If you need to borrow more than 80% of the cost of your home, you'll need to factor in Lenders Mortgage Insurance (LMI). LMI protects your lender from financial loss in the event that you can't afford to pay your home loan repayments. LMI can either be paid upfront or capitilised to the loan.

Transfer Duty

This is the government tax levied on the purchase of a new property and is likely to be the single biggest additional cost you'll need to pay. In Queensland, first home buyers are not required to pay transfer duty (also known as stamp duty) if a property they are purchasing is under $500,000. Concessions apply to properties up to $550,000. Find out more at **qld.gov.au/housing**

Transfer registration fees

Transfer registration fees are a one-off fee paid to the Titles Office (State Government) to cover the transfer of the title of your new property from the seller to you the buyer.

Registration fees

Registering the mortgage on the title of the property is an additional fee to be aware of and is also payable to the Titles Office.

RACQ TIP

Buying a unit, apartment or townhouse usually means being part of a body corporate which handles the management and upkeep of the building and vicinities including pools, gyms and gardens. This incurs a cost known as body corporate fees. Check with your real estate agent so you can budget for this cost.

It is recommended that you review the strata minutes to understand if there is any out of cycle contributions or ongoing building work required and understand the balance of the body corporate fund.

Step 2.

Choosing the right loan for you

There are many different home loans available to suit your lifestyle, financial goals and budget. Here are a few things to consider before choosing a home loan.

Interest rate

A bank will charge you a fee for borrowing money from them - this is called an interest rate. Your bank will determine their home loan interest rate based on several internal and external factors, with the main factor being the cost of funds, that is, the cost the bank must pay to acquire the money to lend out. The cost of funds is largely determined by the official cash rate set by the RBA which is reviewed monthly.

Comparison rate

A comparison rate helps you work out the true cost of a loan allowing you to compare loans from different lenders. The comparison rate takes into account the interest rate, loan term, amount of the loan, repayment frequency plus fees and charges.

Loan term

Most loan terms are a maximum of 30 years however, if you're a First Home Buyer you may be eligible for an extended loan term up to 40 years. A longer term means smaller repayments, making a first home loan more affordable but still allowing you pay your loan off faster when you're ready to pay more later on. Not all banks offer an extended loan term, make sure you ask to see if the option is available.

Different types of loans

It's always a good idea to know your interest rate and check if your loan is working for your lifestyle. There are many different types of loans, each with their own advantages and disadvantages.

- **Variable rate**

  A variable rate will go up and down depending on both internal and external factors.

  The advantage of variable interest rates is that you may benefit from an interest rate drop, which would mean a reduction in the amount of interest you are paying.

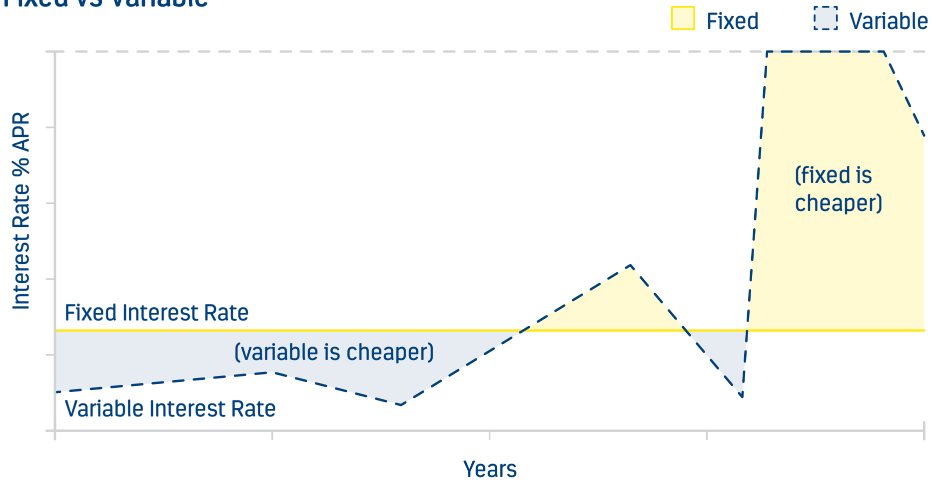
- **Fixed rate**

  A fixed interest rate allows you to lock in an interest rate on your loan for one to five years, depending on what your bank offers. By having a fixed interest rate, you will be able to know what your repayments will be, plan your budget with confidence and secure a rate for a set period of time that works for you.

  The disadvantage is you won't benefit from fluctuating interest rates. With a fixed rate you are also limited by how much extra you can pay off on your loan, usually this is limited to $10,000 per year.

  Towards the end of your fixed term the bank will be in touch to discuss the options for your home loan.

Fixed vs Variable



› **Split loans**

A split home loan or split mortgage is a home loan arrangement where you can have both fixed and variable interest rates on your home loan at the same time. This option is viewed as a comfortable compromise between the pros and cons of fixed and variable interest rate loans.

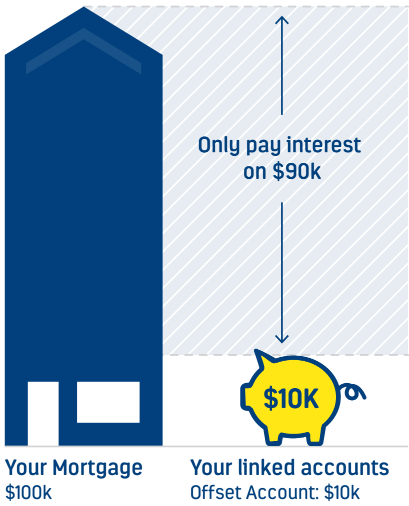
Things to consider when choosing a split loan:

- How much do you want to split between variable and fixed?
- Do the features of both loans suit your personal needs?
- What is the likelihood your personal and financial circumstances will change in the future?

› **Offset account**

An offset feature lets you link your transaction account to your home loan. The funds in your transaction account are offset against your home loan balance and you are only charged interest on the net balance of the two accounts. What that means is the funds in your transaction account work to reduce the interest charged on your home loan.

Generally, home loans with an offset feature have a higher interest rate than home loans that do not have an offset feature. You should consider the benefits of an offset account with a slightly higher interest rate compared to your financial position if you did not have an offset, and therefore had a home loan with a lower interest rate.



› **Principal and interest**

A home loan has two parts – the principal and the interest. It's important to understand the difference between the two. When borrowing money from a bank, the size of the loan, or the amount you agreed to pay back, is referred to as the principal. Interest is the amount the bank is going to charge you for borrowing the principal. For example, if you have a loan amount of $150,000 with an annual interest rate of 3.19% and repay both principal and interest monthly over 25 years, then the total interest payable is $67,869.

› **Interest only**

An interest only loan is when you only pay the bank the interest for the loan, with the principal balance unchanged during the interest-only period. Interest only is typically available for investment loans.

Applying for conditional pre-approval

Once you have an idea on how much you can borrow, chat to a lending specialist and obtain conditional pre-approval for a home loan. Securing pre-approval is a smart move as it clarifies your borrowing power, what you'll repay and helps you search for a house within your budget. Pre-approval is free and valid for up to 90 days. This gives you plenty of time and confidence to find your dream first home.

RACQ TIP

If a bank offers you an introductory rate, make sure you fully understand the terms and conditions of this loan. Some banks offer a really low interest rate as an introductory rate and then, after the offer period, you will be on a higher rate, make sure to check the comparison rate.

Step 3.

House hunting like a pro

Style of Home

What style of property do you want? Determine whether you are planning to buy a unit, apartment, townhouse or house. Then consider if you are looking to buy a previously owned home or start fresh and build off the plan. When buying an existing home, you'll have more options to buy closer to the city in an established suburb however it's easier to find land further from the city in newer subdivisions.

Location

Location is key when buying a home as it could add to the value of your property long term. Research if the property is close to schools, shopping centres, playgrounds, public transport, highways and recreational grounds. These aspects could help when the time comes to resell. Check out your council's website to see if there are any planned developments nearby.

Queensland Weather

Queensland is prone to a variety of weather events which could impact your home. Consider whether your new home would withstand drought, flooding, fire, erosion, high and low temperatures and sea levels. Go to your council's website to find out what weather events impact your dream suburb. You can also view flood maps online.

Size

The size of the land, house and rooms will determine whether it's right for you and your family. Is there parking available? What direction is the house facing? Do you have a big enough backyard? Do you need side access?

Neighbourhood

Are you looking for a property in a quiet cul-de-sac where the kids can play in the street or are you looking for a unit in a high rise close to the city for an easy commute to work? Consider who your neighbours are and the noise levels around you. If your property is next to a main road, train station, under a flight path or school you may find it's noisy.

RACQ TIP

Check to see how long it'll take you to get to work during peak hour. A lot of inspections are on weekends, when it's generally quieter, so you might be surprised by the travel time needed during weekday peak hour traffic. You can check this by using Google Maps or via RACQ's annual Red Spot Congestion report on **racq.com/redspot**

Customised reports

Research property prices by talking to your bank, attending inspections or talking to a real estate agent. The Real Estate Institute of Queensland (REIQ) publishes sale prices for houses, units, townhouses and land by suburb in a quarterly Queensland Market Monitor report. You can subscribe via **reiq.com**

Your house inspection checklist

When looking for your first or a new home, there are so many things to consider that it can feel overwhelming. RACQ's House Inspection Checklist may help you look for things that you may not have thought of and may help you decide if this is the right property for you.

- [ ] Drive by – first impressions count. Get a feel for the neighbourhood by driving around the nearby streets. Worth doing both during the day and night to see the differences.
- [ ] Make a list of your must-haves and what you are willing to compromise on before viewing a property.
- [ ] Take a partner, family member of friend as an extra set of eyes and someone you can get a second opinion and bounce ideas off.
- [ ] Check all fixtures are as you would expect. Find out what are considered fixtures so you know what the owner will be leaving behind.
- [ ] Check the plumbing works, water pressure and look under the sinks and bathrooms to ensure there is no leaks or water damage.
- [ ] Check that the light switches work and take note of how many power switches there are and if they are in convenient locations within each room.
- [ ] Check whether there are any signs of mould/damp.
- [ ] Ensure there is enough storage to meet your needs.
- [ ] How much work and maintenance is needed in the garden.
- [ ] Check the general condition of the home.
- [ ] Is the roof in good condition, are there any missing roof tiles or damaged fascia or gutters?
- [ ] Does the property have enough off-street and on-street parking?
- [ ] Check the local traffic during peak times and whether there is adequate public transport available.

Step 4.

Buying your home

How to buy a home

As a first-time home buyer, there's going to be a lot of documents which can be confusing. Remember, this is a legal process, so everything needs to be ticked and signed to make the transaction run smoothly. It's a good idea to work with professionals you can trust, who can offer guidance when you need it. There are three ways to buy a home.

1. Buying through a real estate agent or sales representative

In most cases there will be a real estate agent or sales representative involved in the marketing and sale of the home you want to buy. The real estate agent will be your direct point of contact for the property and will negotiate privately with the property owner for you. Those who are interested in buying the property submit an application or contract with the agent.

2. Private sale

A private sale is when the owner decides to sell the property without the help of a real estate agent. People generally do this to avoid paying the commission fees. The sale is simply negotiated between a buyer and a seller directly. It is recommend that you still engage a solicitor for a private sale.

3 Auction

An auction is a public sale where the highest bidder wins. Auctions can be very competitive in either an open or closed format. The vendor may set a reserve price as the minimum sale price for the property- make sure you know what your budget is. All properties purchased at auction are unconditional, therefore you will need to have completed all inspections and received conditional loan approval only subject to property valuation prior to bidding. Visit **qld.gov.au** and search auctioning a property.

How to make an offer

Once you are ready to buy it's time to make an offer. Include the relevant conditions for example, building and pest, finance clauses etc. If you've got a solicitor or conveyancer, put down their names on the contract of sale – otherwise you can add these details in later. Once the contract is signed you will need to pay an initial deposit.

Contract of sale

When you find your dream property you will need to make your offer in a written contract of sale. This contract will specify all the terms and conditions and include the settlement date, the deposit amount and the names of the parties selling and buying.

Paying the deposit

You'll need to pay a deposit to secure your home. This can be paid directly to the real estate agent office and they'll hold it until settlement.

If your offer was subject to finance, you need to get your contract through to your bank within 24 hours of signing to ensure you can meet your condition of finance.

The bank may want to do a valuation on your new home and you'll have a set number of days for the bank to organise this with the real estate agent.

Conditional sale

Your contract might be subject to:

- ✔ Whether you get finance
- ✔ A building and pest inspection
- ✔ If you can sell your existing property

RACQ TIP

When you sign the contract, you have five business days to change your mind. Speak to your agent about the cooling-off period available to you. Be aware there are costs associated to withdrawing a contract within the cooling off period.

Home and Contents Insurance

Home Insurance is usually a requirement of your loan contract and needs to be established within 24 hours of contract signing. This protects the fixtures of your property. Contents insurance covers your valuable personal belongings and can be updated or added when you move into the property. To find out more about RACQ Home and Contents Insurance, visit racq.com/homeinsurance

Unconditional

Once you've met all the terms of your offer your loan will be unconditional.

Loan documents

When your loan documents, arrive, you'll need to read and sign them all. You will need a Justice of the Peace or solicitor to witness/sign your mortgage document. If you have any questions about the loan documents consult your solicitor or conveyancer.

Solicitor/conveyancer

Your solicitor or conveyancer will be working behind the scenes completing the necessary searches and land title forms the bank requires prior to settlement. If you have any problems, go straight to them and they can advocate on your behalf.

Pre-inspection

You can complete a pre-inspection of the house a few days before settlement. This doesn't always happen and some people don't require it. Just speak to the real estate agent if it's something you'd like to do.

Settlement

Your contract will state the date your new home settles. Your solicitor and conveyancer will work directly with the lender to move the funds from the purchaser's account (yours) into the sellers. When it comes to settlement there are a few things to cover off.

1. On settlement day your bank will follow the direction of the solicitors and transfer money from your bank account to the sellers solicitors trust account once all the conditions on the contract have been met.

2. Once the settlement has occurred, you'll be able to pick up the keys to your new home from the real-estate agent and start to move in.

Step 5.

Moving in

The cost of moving

Moving to a new house can be very expensive – here are some expenses to consider before moving.

- Removalists or truck hire
- Bond clean for rental
- Australian Post mail redirection
- Utility connections
- New furniture and white goods
- Any minor fixes or professional cleaning required

After moving you will need to notify family, friends and various organisations of your new address details. You can use the Australian Government website to update your details for things like car registeration, drivers' license, Medicare and Tax Office. Visit australia.gov.au/information-and-services/family-and-community/change-my-address/queensland

RACQ TIP

Here are some tips to make your move nice and easy.

1. Prior to moving in is a good time to do any renovations or touch-ups while there is no furniture in the house.
2. Move in mid-week to avoid weekend fees and traffic.
3. Reserve parking for removalists.
4. Draft up a floor plan of where you want the furniture to go in advance to save time. Plus, removalists may charge by the hour.
5. Pre-pack everything with clear labels.
6. Pack the essentials including keys, remotes, legs for beds and chargers in an easy to access box.
7. Ask friends and family to give you a hand.

Step 6.

Managing your loan

Making your repayments

Have the freedom to manage your money your way. Our online banking options make it easier to check your balance, transfer funds, make payments and more. Check out all the ways you can take control of your banking online.

Internet banking   Apps   PayID   Mobile pay

Top up your loan

Topping up your loan can often be a more cost-effective way to borrow additional funds. So, if you're planning renovations, wanting to consolidate your debts or needing extra money, borrowing funds using your existing home loan could be a good solution to taking out a separate loan. Talk to your lender about a top-up to see if this is the best option for you.

Redraw money

Some home loans have redraw facilities. The benefit of a redraw facility is that you can access any payments you've made in advance should you need to. This means you can repay more with the flexibility of being able to later access your savings.

Make extra repayments

You can make extra payments by increasing your regular repayments or by making an additional lumpsum repayment.

An offset feature lets you link your transaction account to your home loan. The funds in your transaction account are offset against your home loan balance and you are only charged interest on the net balance of the two accounts.

Why bank with us?

Queenslanders looking for a true alternative to the big 4, now have an opportunity to be a member of RACQ Bank. We are a bank owned by members, to benefit members.

RACQ has long been an integral part of Queensland and launching RACQ Bank allows us to provide a range of straightforward banking products, all backed by our 24/7 Queensland service and technology to help you bank on the go.

Glossary

Comparison rate	A Comparison Rate is an interest rate that indicates the true cost of a loan. This rate incorporates most fees and charges that are applicable for the chosen product, and also takes into account what the interest rate will be after any introductory periods are finished.
Lenders Mortgage Insurance (LMI)	Lenders Mortgage Insurance (LMI) is a one-off insurance payment which banks generally require you to pay if you have a smaller deposit.
Loan to Value Ratio (LVR):	The Loan to Value Ratio (LVR) is the amount you are borrowing represented as a percentage of the value of the property being used as security for the loan. Our maximum LVR on home loans is 80%. However, with Lenders Mortgage Insurance (LMI), LVR for Owner Occupiers and Investors up to 90% can be considered.
Offset account	An offset feature lets you link your transaction account to your home loan. The funds in your transaction account are offset against your home loan balance and you are only charged interest on the net balance of the two accounts.
Redraw facility	If you pay an extra amount into your loan you may redraw that money at a later time if you need.

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