

# Financing Tips

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Boat financing has changed during the last few years. Here are some common questions and answers that might help you better understand the new framework for financing whether you are looking for a new loan or to refinance an existing loan.



## COMMONLY ASKED QUESTIONS ABOUT BOAT FINANCING

**Q.** What happens when someone applies for a boat loan?

**A.** The first step is to complete a credit investigation to determine if the applicant is qualified for a loan and verify that the collateral is eligible for a loan.

**Q.** What customary items and credit ratings does a boater need to obtain a loan?

**A.** Generally a score over 700 under today's market conditions. (loans are available for lower scores but carry a higher interest rate). Other items include: application, personal financial statement, proof of income, proof of residence (sometimes), proof of Liquidity.

**Q.** What do banks look for in an appropriate candidate?

**A.** Strong credit profile (i.e., Good credit depth; Good comparable high credit; Good time in file; No excessive use of credit cards; Good stability; Good financial condition)

**Q.** What are the terms of various loans, e.g. what lengths of time to applicants have to pay them back?

**A.** Terms vary for 12 to 30 years dependent on loan size.

**Q.** Does repaying a loan include paying only the interest, or does it also require that a boater pay part of the principle, original amount?

**A.** The loans generally are simple interest loans and both principle and interest are paid with each payment. The amount varies as the loan matures. As it matures, a larger portion of the payment will be applied to the principle versus interest.

**Q.** Are boaters required to insure their new boat?

**A.** If a vessel is financed, the lender requires the vessel be insured and the lender be named as the lien holder with the insurance company.

**Q.** Is there a specific dollar amount that boaters can put down to help finance their purchases?

**A.** The typical down payment is between 10% and 30%.

**Q.** What other collateral or appraisals are needed?

**A.** Inspections and Marine Surveys may be required dependent on the age of the unit and/or if a lender is unable to obtain a value from one of the valuation guides.

**Q.** How does financing now compare to how it was in better economic times?

**A.** Lending practices have reverted back to more conventional methods and practices that were prevalent 10-15 years ago. For instance more documentation is required to substantiate customer's application information.

**Q.** What are current interest rates?

**A.** 6.25% to 8.50% depending on dollar amount of the loan request (lower rates may be available for credit requests over \$500,000).



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