

THINGS TO CONSIDER Before You Shop for a Boat

Do your financial homework and run a budget, check your credit history and consider getting pre-qualified for a boat purchase – all before you visit the boat dealer or buy a boat.

1 Your credit score is more important than ever. Obtain a copy so that you have the chance to correct any misinformation that could impact your ability to obtain financing or a more favorable finance rate. You can order a free credit report from each of the three reporting agencies once a year from www.annualcreditreport.com

2 Credit reports disclose your payment history for paid and current credit obligations, as well as any public records and consumer statements you may have added. Any negative reporting is problematic, so check closely for errors and work with the credit reporting agency to correct before going

any further. If there are public records that have been resolved but appear to still be open issues on the report, have them updated. Most lenders expect credit scores above 700 and no public records. Some lenders will work with you, even with lower scores, if the problems are behind you and new credit has since been established.

3 Boat loan interest rates are generally based on your past history in paying loans to financial institutions. This is measured by your credit score, found on your credit report. The higher your credit score, the more favorable your interest

rate may be with a particular lender. If you are doing your financing business with a dealer or a service company, be sure your credit history and lender options are discussed before your loan application is submitted to a lender.

4 Compare current finance rates from various lending sources. Discuss loan qualifications so you know what is required to obtain financing. This will help you determine if there are any restrictions on getting the best rate available.

5 Ask about fees. Some boat loans come with application fees, loan document preparation fees, or early payoff fees. Know that some lenders charge them and others may not. When fees are charged, they should be reasonable flat fees and not based on a percentage of your finance amount or loan balance.

6 Loan terms, your monthly payment and your cost of a boat loan are related. Typical boat loans have 10 – 20 year terms. It may be wise to finance your boat at the lowest term that allows the monthly payment to fit into your budget. This can save you serious money in terms of interest you pay the lender, and it reduces your loan balance faster. However, if you are looking to maximize your interest expense deduction and are comfortable with the longer term that could be a better option for you.

7 Fixed rate versus variable rate loans. Look for fixed-rate, simple interest loans. Variable rate loans often offer a low "introductory" rate, but have payment-adjustment features that could significantly raise your payment and interest expense. If you are considering a variable rate loan, be sure there is enough difference in the interest rate, compared to a fixed rate, to make it worth the gamble.

8 Check boat buying guides, websites and other resources to determine what your needs are in a boat and where you can find a dealer with that product. Read boat reviews and pre-owned pricing guides to become better informed about values on both new and pre-owned

IT IS RECOMMENDED that you use a National Marine Bankers Association (NMBA) lender member who is versed in this specialized area of lending when shopping for a loan. To find one visit www.marinebankers.org

boats. Visit www.discoverboating.com, a great resource presented by the Recreational Boating Industry, and review the Boat Selector to determine the best boat to fit your needs – from intended use to boat size and price range. You'll find details on buying, owning and operating a boat and the site can help you locate the right boat dealer.

9 Determine how much you can afford in a monthly payment – use the Monthly Debt Ratio table on the following page to help you.



How Much Can You Afford?

There are two questions you should ask yourself:

1. What is the down payment requirement?
2. What is the monthly payment?

Before you make the decision to buy a new boat, make sure you have enough money to make a down payment. These vary slightly between lenders and are often based on the loan amount. 15 – 20 percent is usually a good rule of thumb.

It is wise for you to have 6 – 12 months worth of monthly payments and livings expenses set aside as an emergency fund. Your down payment should not come from that fund.

Your verifiable gross monthly income should comfortably cover your current monthly debt and the new boat payment, with 55 – 60 percent of your income left for other living expenses and discretionary spending. Be sure to allow for general maintenance of the boat, storage, insurance and other costs of ownership.

Keep in mind there are other qualifiers, such as credit history, net worth and stability that are considered in the loan decision. Just because you have the down payment and can afford the monthly payment does not mean you will be approved for the loan.

Monthly Debt to Income Ratio

1. Complete Column 1 (Current) based on your current income and loan payments. Begin with your gross monthly income before any deductions. If you are applying jointly with your spouse, include their income. If you have other verifiable income, such as rental, list that as well. Add to determine your total monthly income. Then list your monthly rent or mortgage payment, auto loan payments and all other debt payments including credit cards and the new boat payment. Add to determine your total monthly debt. Divide your payments into your income to determine your debt to income ratio.

2. If your debt to income ratio is higher than 40%, complete Column 2 (Revised) based on changes you'll need to make to afford the new boat. This could mean borrowing less (either more down payment or less expensive boat), reducing current payments by paying down or paying off current debt, or waiting for verifiable continuing increase in earnings.



FOR ADVICE AND INFORMATION
 about marine loans and to find an NMBA lender member, visit www.marinebankers.org
 You can also access a boat loan calculator at www.marinebankers.org/resources-for-boat-buyers/financing/loan-calculator

	Current	Revised
My monthly gross income	\$ _____	\$ _____
Spouse monthly gross income	\$ _____	\$ _____
Other verifiable gross income	\$ _____	\$ _____
Total monthly gross income	\$ _____	\$ _____
Mortgage/rent payment	\$ _____	\$ _____
Auto loan	\$ _____	\$ _____
Auto loan	\$ _____	\$ _____
Other installment loan	\$ _____	\$ _____
Other installment loan	\$ _____	\$ _____
Credit card payments	\$ _____	\$ _____
Other revolving payments	\$ _____	\$ _____
New boat loan	\$ _____	\$ _____
Total monthly debt	\$ _____	\$ _____
Debt to income ratio (debt/income)	_____ %	_____ %

