



Your Guide to Buying a Boat

Make your dream of owning a boat a reality.

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Content

- **Ever thought about owning a boat?**
- **What's a good down payment amount?**
- **How do I go about insurance?**
- **Do I need to verify my income?**
- **How can I choose a boat?**
- **What is a boat survey?**
- **Should I get pre-approved for buying a boat?**
- **Do I have to register a boat?**
- **Do I need to document my boat?**
- **Buying a boat is easy with PFCU**



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Ever thought about owning a boat?

Dreamed of cruising the waves or hours spent fishing? The idea can be really exciting, but where to start?

It's important to first understand that buying a boat is not like buying a car. The process is more like purchasing a home. You can't expect to visit a dealer and leave that same day with a boat. Instead, you need to think about a more involved process regarding down payments, insurance, income verification, sales price, surveys, loan pre-approvals and registration.

Although buying a boat can be complex, with a little research, you can prepare yourself for a smooth-sailing during the purchase process. With this in mind, let's go over key details you need to know before moving forward with boat financing.

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What's a good down payment amount?

The price tag on a boat can be much larger than a car. In fact, it can be as high as the price of a house. As such, lenders normally ask for a down payment as a demonstration of good faith and commitment.

If you're not sure how much money to save for a down payment, try to compare it to one you would put down for a house. Typically, it is common to put down 20% of a home's sales price.

However, each lender has its own criteria to determine a down payment amount. If you are a member of a credit union, contact them to get a fair estimate. To find more information about the underwriting process, visit the [National Marine Lenders Association](#).

Once you have set aside some money, save two to three months' worth of your bank statements to show the source of the income to your lender.

How do I go about insurance?

You need to purchase boat insurance, much like how you would for a car purchase. Start inquiring about coverages and premiums. You'll find that premiums for boat insurance are much higher than car insurance. With the average boat insurance claim being around \$11,000, you want to be sure that your policy has the right amount of coverage.

Worth Knowing:

\$11,000

Average Boat
Insurance Claim



Call your insurance company and find out if they offer boat insurance. You may be able to take advantage of a deal or discount as a current customer. You can also find quotes online through many different insurance companies.

Keep in mind, normally when a boat is older than 15 years or has three engines or more it can be very difficult to find insurance.

If you do find someone willing to insure these vessels, the premiums will typically be very high.

When looking for insurance quotes, some items to consider regarding policy coverage include:

The replacement cost of the boat

The actual value to repair or replace

A set value amount of coverage

The deductible for the policy

Once you have collected quotes, you can see how the purchase may impact additional monthly expenses.

Do I need to verify my income?

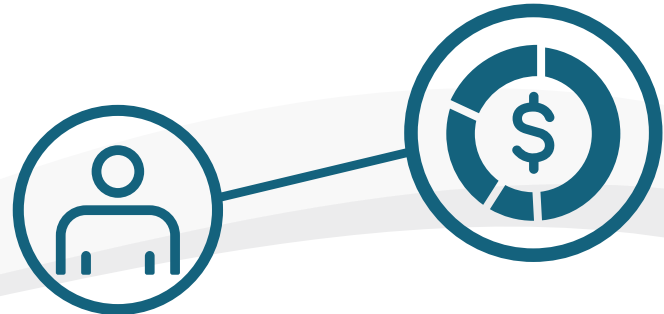
In addition to a down payment and bank statements, lenders may require income verification depending on the amount of the loan. You will need to provide proof of income, such as a W-2, pay stubs or at least two years of tax returns, in order to show that you are financially able and responsible to feasibly purchase a boat. Also, be sure they are current. Lenders usually request the most recent pay stubs or the last few bank statements.

If you are self-employed, be sure to have both your full personal and business tax returns for at least two years. It is possible some lenders will also ask you to sign a 4506-T form, which is a request for a copy of your Return Transcripts from the IRS. A form 4506-T allows your lender to verify with the IRS that the forms you supplied to prove your income match those in the possession of the IRS.

It is also a good idea to go over your expenses. Just like a mortgage loan, you want to have a low [*debt-to-income ratio*](#) to increase your chances of success.

Proof of Income Examples

- **Most recent W-2** (at least the last 2 years)
- **Pay Stubs**
- **2-3 Years of Personal/
Business Tax Returns**



How can I choose a boat?

Have you started shopping around? To get an idea of what price you are looking for, most dealers have an option on their website that allows you to build and price your boat.

You can also search through brokerage services. Or, if you already know what type of boat you are looking for, you can search by type, such as powerboat or sailboat, through the *National Automobile Dealers Association*.

Another great place is by going to a boat show. You will be able to see a variety of boats in person all in one location. This will allow you to see and touch which size and model boat best fits your specific needs. You can even bring your entire family to make sure they easily fit on the size of the boat you are considering. South Florida has several boat shows annually including the [*Fort Lauderdale International Boat Show*](#), [*Miami International Boat Show*](#) and [*Palm Beach International Boat Show*](#).

Regardless of where you search for a boat, the important takeaway here is to take your time. At this point, you now know your income and expenses, so you can gauge a price range that is doable for your situation. Make sure you don't go over budget or make any impulse purchases before doing your research. Like a house, buying a boat is a major investment, so you want to be prudent about what you can realistically purchase.

In addition to your personal situation and budget, be sure to consider the market. Keep in mind that just as home and car prices rose in 2020, so did boat prices. In fact, in response to the increased demand, boat prices rose about [*10% in 2021*](#).

What is a boat survey?

If you plan on buying a boat that is used, it's best to get a survey. A survey is an inspection of a boat to uncover any mechanical or physical issues you might not be aware of. It is a good idea to request the survey include a sea trial to make sure everything is working accordingly on the water. **Oftentimes, lenders and insurance companies will require a survey in order to finance or insure a boat.**

A survey will include examinations of the following:

Moisture readings

Structural components

Electrical systems and wiring

The condition of the underwater gear

The fuel system

At the same time, a survey serves as an appraisal. Armed with the results of the inspection, you will know what the real value of the boat is and use that to negotiate the sales price or compare it to other boats.

If you are in the market for a used boat, visit [*The Society of Accredited Marine Surveyors*](#) or [*The International Association of Marine Surveyors*](#) to search for an expert to perform the review.



Should I get pre-approved for buying a boat?

Yes. Now that you have your eye on the boat you want, it's time to search for a pre-approval. Make sure you've prepared your pay stubs, tax returns, bank statements and down payment to ensure the process goes as smoothly as possible.

With a pre-approval, you have a better idea of exactly how much you can afford to spend on your boat purchase. Knowing an exact loan amount can guide you while you negotiate the boat purchasing price and prevent you from going over your budget. Once you are set with a loan amount, interest rate and down payment, you can calculate an estimated monthly payment amount to add to your budget.

Do I have to register a boat?

Just like how you have to register a car, you also have to register a boat in the state where you live. If you decide to store your boat in another state, you will likely have to register in that state as well. Note that each state has different laws regarding boat registration. So, when you decide where to keep your vessel, check out the laws in that state.

In Florida, the [Department of Highway Safety and Motor Vehicles](#) is responsible for the registration process. After buying a boat, you need to provide proof of ownership, issued title and a registration fee. The fee will depend on the size of your vessel.

When you register a boat, you get a:

1. Registration number
2. State sticker
3. Boat number, which should be placed on the front part of the boat



Do I need to document my boat?

In addition to registering at the state level, you can also register your boat at the federal level. Vessel documentation is done with the U.S. Coast Guard. Although you do not have to document your boat this way, some reasons why you may consider it include:

It properly registers ownership and nationality

It is necessary if you plan to travel overseas

The lender may require you to do so

To document your boat with the Coast Guard, you need to submit an application, a bill of sale or proof of ownership, and measurements. Additionally, you need to provide proof of U.S. citizenship. You can find more information on the U.S. Coast Guard's [National Vessel Documentation Center](#) website.



Buying a boat is easy with PFCU

As a member of Power Financial Credit Union, you have complimentary access to our boat loan experts who can walk you through each step of the purchase process. Even if you aren't ready to purchase, they are happy to answer any of your questions with no pressure or obligation to get a loan. When you are ready to purchase, you can take advantage of [our low interest rates and flexible payment terms](#) when buying a boat. You can also ask us about refinancing your existing boat loan. Contact us or visit us at any of our branches in South Florida to learn more about how we can help you make your dream of owning a boat come true!

Questions?

Call 800-548-5465 or Visit powerfi.org