

# The Buyers' Handbook

By Caroline Ajootian

Selection is high. Prices are low. Here's invaluable advice if you want to buy a boat

**Repossessed Boats** When an owner defaults on a loan, the bank acts quickly to cover its losses. Once the boat is seized, the bank puts it up for auction or sometimes disposes of it through a private-party sale. If you're buying a repossessed boat, keep the following in mind: Pre-qualify for a loan to see how much you can afford to finance. Use the free BoatU.S. Value Check service to find fair market value. Visit the boat and hire a marine surveyor to inspect it. Check

the online BoatU.S. Surveyor Referral List.

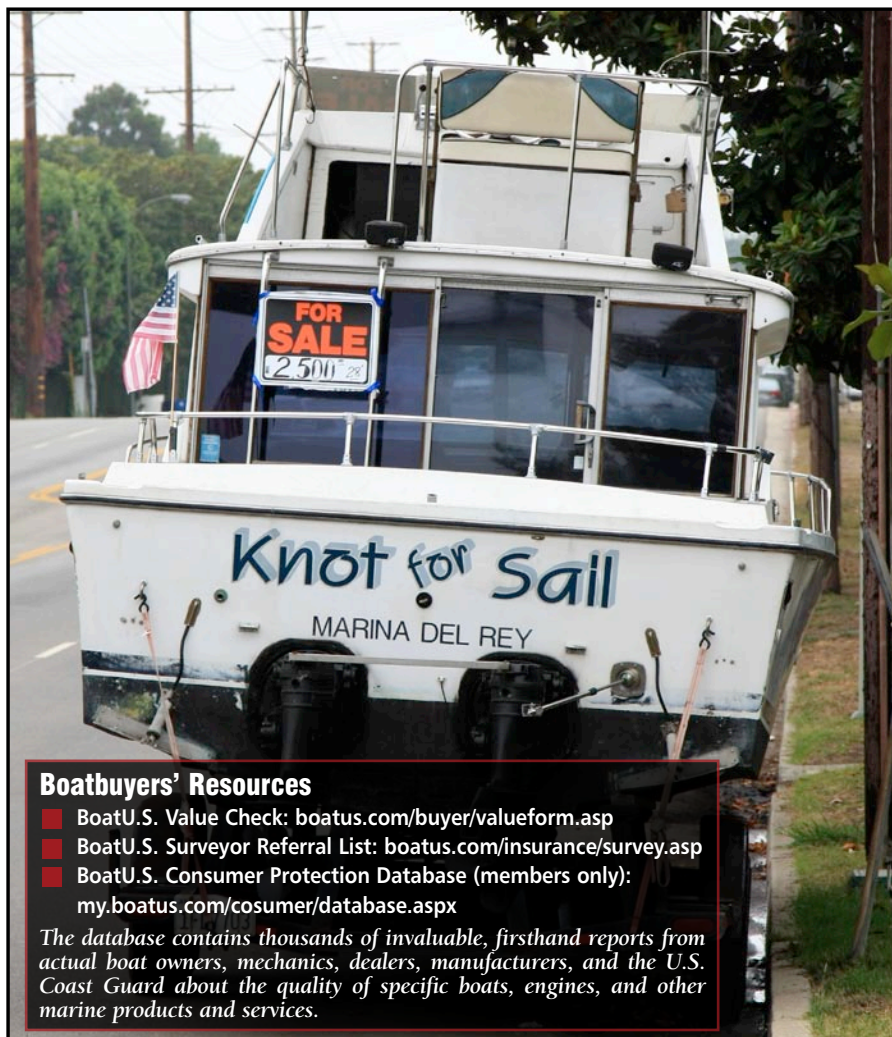
Reputable auction companies evaluate boats shortly after they're seized and this information should be made available to buyers. Nevertheless, hire your own surveyor for a pre-purchase inspection and sea trial. Use caution with boats being sold through online auction services such as eBay, where buyers typically are not in a position to evaluate the merchandise. Make sure the company you're dealing with permits buyers to write contingencies into

the purchase agreement, such as a survey, sea trial, and financing requirements. Be sure the purchase agreement includes the statement that the boat is being sold free of all liens and encumbrances. Before you place a deposit, have the seller confirm in writing that the deposit is refundable if the boat fails to meet any of the contingencies written into the purchase agreement. If the boat is less than five years old, the original manufacturer's warranties from the builder and the engine maker may still be in effect. Obtain the boat's hull I.D. number and engine serial number and contact the manufacturers to see if the warranties can be transferred.

**Leftover Models** Boat dealers use loans to purchase new product from manufacturers (called floor planning). Ideally, each new boat sold helps the dealer keep up with his loan obligation. The system works well until sales of new boats taper off or dry up, as they have this year. Consider the following when buying a new leftover model: Expect significant markdowns on leftover models and be prepared to negotiate to have extras, such as electronic gear or trailers, added in to sweeten the deal. Dealers who have long given up on making a profit on a sale may be happy to improve their cash flow with a bargain price.

Consider a discontinued model as it may not be all that different than a just-built current model. It costs a lot to redesign boats and build new molds, so the "upgrades" offered on newer boats may only amount to different color schemes, upholstery, or slight changes in the power train. Check with the builder and engine manufacturer to make sure their warranties are in effect. You'll need a hull ID number and engine serial number. Consider having the boat surveyed. Leftover models are sometimes cannibalized for parts. Be sure to sea-trial the boat and test operating systems.

**Bankrupt Companies** Shock waves hit the boating community in June when Genmar Industries, the industry's sec-



### Boatbuyers' Resources

- BoatU.S. Value Check: [boatus.com/buyer/valueform.asp](http://boatus.com/buyer/valueform.asp)
- BoatU.S. Surveyor Referral List: [boatus.com/insurance/survey.asp](http://boatus.com/insurance/survey.asp)
- BoatU.S. Consumer Protection Database (members only): [my.boatus.com/cosumer/database.aspx](http://my.boatus.com/cosumer/database.aspx)

The database contains thousands of invaluable, firsthand reports from actual boat owners, mechanics, dealers, manufacturers, and the U.S. Coast Guard about the quality of specific boats, engines, and other marine products and services.

ond-largest builder, filed for Chapter 11. Genmar's chairman and CEO, Irwin Jacobs, announced that the company would continue to honor warranty claims on its family of makes: Ranger, Triumph, Seaswirl, Hydra-Sports, Champion, Stratos, Larson, Wellcraft, Fincraft, Marquis, Windsor Craft, Carver, Glastron, and Four Winns. Chapter 11 allows companies to restructure their organization and finances so they can continue to operate. Under federal bankruptcy law, consumers are considered unsecured creditors and have little leverage to make claims, so Genmar's announcement to honor its warranties is significant.

In addition to questions about whether the manufacturer's warranty on a new boat is going to be in effect for its full duration, bankruptcy could affect resale value. Who will provide service if dealerships close or no longer handle your make of boat? When purchasing a high-ticket item such as a boat, the first question should be, "Can I afford it?" When buying from a bankrupt company, the question should be, "Can I afford it *and* handle repair costs without support from the factory or dealer?"

**Salvage Vessels** Rehabilitating a boat that's been totaled in an accident or hurricane may seem like a good way to get something newer and bigger or to make some money in a flip. But bear in mind: All used boats and their engines should be surveyed before purchase. This goes double for boats sold as salvage. Structural damage can add thousands to repair costs. Few states require dealers to reveal that boats have been totaled in an accident or are salvaged vessels. Used boats are sold in "as is" condition, which means that you'll have no recourse against the seller if something goes wrong.

## The Flip Side


Not everyone has the resources to buy a new, used, or repossessed boat. For those struggling financially, here are some suggestions. Contact a credit-counseling organization. Many are nonprofit and help you develop a budget, and offer free educational materials and workshops. Not all counseling organizations are reputable, so visit the Federal Trade Commission's web site, [www.ftc.gov/credit](http://www.ftc.gov/credit), for helpful tips.


Make loan payments on time and, if this becomes increasingly difficult, sell the boat. Even if you owe more than the boat's worth, selling it reduces your indebtedness. Understand the terms of your loan. In some cases, even one late payment may constitute a default. Once a loan is officially

in default, the bank has the right to seize the boat without a court order and without prior notice.

Simply "walking away" from the boat or "giving" it to the bank doesn't evaporate debt troubles. Consumers at risk of defaulting on their loans should contact their lenders to work out a repayment plan. Under laws in some states, owners may be able to recover their property if they pay all of the loan's outstanding balance, plus any costs associated with seizing it. Some states allow owners to reinstate the loan by making missed payments, and paying the

repossession fees. State consumer affairs divisions can answer your questions. Even if the boat is sold at auction or a private-party bank sale, the original owner's debt obligation may not be discharged if the sale is for less than the amount owed.

While loan "repair" scams have targeted homeowners in trouble with their mortgages, BoatU.S. has not received reports of con artists focusing on consumers struggling with boat loans. Anyone who's been contacted by such a company should contact the BoatU.S. Consumer Protection Bureau, [ConsumerProtection@BoatUS.com](mailto:ConsumerProtection@BoatUS.com). 



## Before Buying or Selling a Boat

# GET YOUR DUCKS IN A ROW

Once you've decided you're ready for a new boat, you don't want anything to slow down the process. So before the wheeling and dealing begins, make sure to have all your loose ends tied up neatly. BoatU.S. Members have access to a number of **valuable online services** such as **FREE estimates** of the fair market value of your boat as well as **FREE insurance quotes** and **affordable financing**. We will also handle the cumbersome details of your transaction such as **escrow, settlement and documentation services** at BoatUS.com.

**It's a one-stop source of information that can help the process of buying or selling a boat go as smoothly and quickly as possible.**

**Visit [BoatUS.com/Buyer](http://BoatUS.com/Buyer) Today!**