



## Used Boat Lending - Unraveling the Mysteries of Collateral Evaluation

*Lenders have no standardized formula, policies vary*

By: The Sales Team, at Sterling Acceptance

There are many areas a lender considers when making a loan for a used boat, one of which is the value of the collateral offered to secure the transaction.

The question all lenders must ask before deciding how much to lend on that used boat: "Is the selling price representative of today's market value of the collateral?" There is no standardized formula for determining the value of a used boat and each bank has its own procedures and guidelines. We use a combination of available resources including, but not limited to, marine valuation guidebooks, comparable boats listed for sale or recently sold (internet, periodicals and/or lender's internal historical database), and marine surveys. Used boat values vary, so things like current economic conditions, supply and demand, geographic location, current condition of the vessel (its machinery and equipment), age of the boat, and even the reputation of the manufacturer, enter into the equation.

YachtWorld is primarily where all vessels are listed for sale now, certainly at 30 feet and above. Lenders will look at asking price and deduct what they consider a reasonable amount to determine what they feel the realistic selling price may be. There is an industry-only side of YachtWorld, where brokers report actual sales data that lenders can register and access. The BUC (Boat Underwriting Corporation) evaluation guide, a mainstay in the industry since 1961, is also considered by lenders. Its values are derived from reported sales and their own proprietary valuation formula. NADA and ABOS are also valuation guides, employed by lenders, primarily for vessels under 30 feet.

Marine surveys are required on most used boat purchases. Lenders generally require the surveyor to be a member of either the National Association of Marine Surveyors (NAMS), or the Society of Accredited Marine Surveyors (SAMS). The survey report is commonly referred to as a "Condition Value Survey" which should include a complete description of the boat and engines and photos of the boat (including one of the hull identification number). Also, specifics such as where the survey was performed, details on the boat's equipment, over-all condition, and the surveyor's recommendations and requirements regarding structural and operational safety as well as essential repairs, should be described. If a sea-trial was included, the surveyor should make mention of the performance of the boat while underway. Finally, the surveyor also includes an "estimated market value". The value the surveyor places on the vessel will be based on recent boat sales reported to the above-mentioned resources and the particular equipment of the actual vessel being surveyed.

Collateral valuation is not an exact science, and boat values are a moving target requiring considerable research to determine the current market value of a used boat. The owner and senior sales staff at Sterling Acceptance all have more than 40 years' experience in the marine industry. We take the time to research the particular vessel a client is looking to purchase or refinance, and provide the most accurate information to the lender on behalf of our clients.