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How to Finance a Boat Purchase with a Loan

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You're buying a boat. Congratulations!

Whether you're purchasing your first or your fifth, getting a new craft is one of life's milestones - a tribute to your success.

But there's a high chance you're going to need a boat loan. And that is a specialist field of financing. So get yourself up to speed before you tie yourself up in ... er, knots.

Compare current loan rates

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Boat Financing Options

A range of financial institutions offer a choice of loans that can float your boat. Here are the most important sources:

- **Dealer financing**

Chances are, the dealership from which you're buying the boat (assuming you use one) is likely to offer loans.

- **Specialist marine financing providers**

These are lenders that have tailored financing offers to appeal to boat buyers.

- **Banks and credit unions**

Some have specialist boat financing, or you may find a personal loan from one works just as well.

- **Online personal loan lenders**

A personal loan could be good in many circumstances, but especially if you want an older (perhaps classic) or less standard boat. Many boat loans won't help with those.

- **Home equity lenders**

A home equity loan or line of credit could provide your lowest interest rate. But watch out for high costs on closing and long terms that could make them costly in the end.

You might add another option: a credit card with a [0% APR introductory offer](#) on purchases and balance transfers.

However, for a credit card purchase of this nature to make sense, you need to clear the balance before the offer ends. And you risk harming your credit score if you have a balance that's more than 30% of your credit limit. So one of these is likely to be useful only to top up a larger loan - or to buy accessories or a small personal watercraft.

Still, don't rule any of these out until you've explored what each has to offer. When you're borrowing a significant amount, the penalty for making a poor choice can run into several thousand dollars.

Loan Terms to Avoid - Prepayment Penalties















Here's another important point. You may prefer to avoid prepayment penalties, which some loans impose. A prepayment penalty means there's a fee to pay if you want to pay off your loan early.

The reason it's important to avoid prepayment penalties is that they can make it uneconomic to sell your boat if your needs or circumstances change.

Generally, it's better to pick a loan with no prepayment penalties. So check your loan agreement.

Compare Personal Loan Rates and Apply Online:

Advertiser Disclosure

	APR 5.99 - 24.99%	loan term 0 - 60 months	Max loan \$35,000	SEE MY RATE  Advertiser Comments
	APR 5.99 - 29.90%	loan term 24 - 60 months	Max loan \$40,000	SEE MY RATE  Advertiser Comments
	APR 15.49 - 35.99%	loan term 0 - 48 months	Max loan \$25,000	SEE MY RATE  Advertiser Comments
	APR 6.98 - 35.89%	loan term 36 - 60 months	Max loan \$35,000	SEE MY RATE  Advertiser Comments
	APR 9.95 - 35.99%	loan term 24 - 60 months	Max loan \$35,000	SEE MY RATE  Advertiser Comments
	APR 6.95 - 35.99%	loan term 36 - 60 months	Max loan \$40,000	SEE MY RATE  Advertiser Comments
	APR 18.00 - 35.99%	loan term 24 - 60 months	Max loan \$25,000	SEE MY RATE  Advertiser Comments

What Are Secured vs. Unsecured Loans?

A secured loan gives the lender a right to repossess a specified asset if you default.

Mortgages and auto loans are secured loans. It means that the lender can foreclose on your property or a repo person can turn up and repossess your car. In this case, the specified asset is your boat.

An unsecured loan doesn't provide a direct route for lenders to repossess - though you can still expect endless harassing calls, a plummeting credit score and court action (your wages could be garnished) if you fall too far behind on your payments.

A secured loan means less risk for the lender. It can sell the boat from under you (not literally while you're at sea, one hopes) and use the proceeds to mitigate its losses.

Interest rates on secured loans are typically lower. Some personal loans that are usually unsecured may be available in a secured form for boat purchases.

Your First Step: Know Your Credit Score

When you're shopping for a boat loan - or any loan, for that matter - you need to have a reasonably good idea of what your credit score is. And, given your score is wholly a numerical representation of what's recorded in your credit report, that report is your best starting point.

Getting your credit report

You are legally entitled to a free credit report each year.

Always get yours through [AnnualCreditReport.com](https://www.annualcreditreport.com), which is a website owned jointly by the Big-3 credit bureaus. You can also get an idea of your credit score there, but you have to pay for that. Many banks allow you to access yours for free, so see if yours is one of those.

One more thing: Don't argue if a lender tells you the score on his or her screen is a bit different from the one you've been told. Many people have 20 different credit scores and some as many as 50. Your goal at this point is to get a feeling for what your score is.

[Free Credit Report? How to Check Your Own Credit](#)

Before You Begin Shopping for a Boat

Maybe you've already found your perfect boat. That's fine. But it's usually better to line up your finances before you shop for one.

Affordability is the most important factor here. And, at this point, some boat purchasers make the cardinal error of counting only monthly payments on boat loans in their calculations - but there's much more to consider.

Determine expenses for your type of boat

Depending on your skills, circumstances, and the type of boat you want, you could also be looking at regular and irregular payments for a whole host of boat-ownership expenses, including:

1. Boat insurance
2. Marina fees
3. Winterization and off-water storage of your craft
4. Routine maintenance and occasional repairs
5. Consumables - fuel, oil, oil filters and zincs to prevent corrosion
6. Licenses in some states

As importantly, when you're buying, you may need to get a range of extras - from a trailer to life jackets and other safety equipment. And that's before you look at a list of "essential" electronic gizmos.

Get a good handle on these costs before you shop for a boat. But don't just lick your finger and stick it in the air. Ask an insurer and a nearby marina and boatyard for a rough idea of those likely costs.

That saves you the heartache of finding your dream craft only to discover it's unaffordable. Conversely, you might settle on one boat only to later realize you could easily have afforded a much nicer one.

So armed with more information about the expenses you might incur, you can start work on understanding how much you can afford in monthly finance payments. This is when a boat loan calculator becomes your best friend.

Model Financing Options with a Boat Loan Calculator

A good boat loan calculator lets you play around with different scenarios. Doing so can give you a glimpse at whether you could afford a much better boat by paying a little more each month, getting a lower interest rate, or opting for a longer period in which to pay back your loan.

How to determine your maximum purchase price

To figure out how much boat you can afford, the best place to start is to decide how the monthly payments fit into your budget - after you've allowed for those boat-ownership costs.

- Take a proper look at your household finances, and be conservative so you're not immediately in trouble if things suddenly get worse.
- Input the amount you can afford for monthly payments into the calculator's Maximum Monthly Payment field.
- Then guesstimate your likely interest rate. (The calculator defaults to 10%, but you won't know for sure until you have loan quotes.) You can make a pretty good stab at the figure because you now have a working idea of your credit score.

Add your down payment to the amount the boat loan calculator returns and you have the maximum boat price you can afford.

You can experiment with different monthly payment amounts, interest rates and loan terms to see how structuring your boat financing affects what you can afford. The longer you borrow for, the more costly the boat you can afford, for example.

But be wary of ultra-long loans, some of which last 12, 15 or even 20 years.

Borrowing over a long period means you're paying interest over a long period. So your total cost of borrowing is likely to be high, even if you qualify for a great rate.

Shorter terms generally save you money in the long run.

And, of course, boats typically depreciate in value. So there is a chance that, with a longer term, at some point your boat could be worth less than your outstanding balance. With mortgages, that's called being "under water," a metaphor that's even less attractive when applied to things that are supposed to float.

Boat Loan Calculator: How Much Boat Can You Afford?

Boat Payment Calculator

It's usually best to start with what you can comfortably afford in monthly payments and then work backward. But suppose you already have a boat in mind. The calculator can still help.

Put in the loan amount you want to borrow and the interest rate you expect to pay; and, in return, you get the amount of your monthly payments.

Again, these vary by the loan's term: the longer it lasts, the lower each payment. But don't forget the earlier warning: the longer the loan, the more costly it's likely to be in the end.

Boat Loan Comparison Calculator

The boat loan calculator remains your friend especially when you already have quotes from multiple lenders. Unlike with mortgages, say, these quotes may not be in a standardized format. So comparing them may not be straightforward.

The solution?

Use the loan comparison tool on the calculator. That lets you make a side-by-side comparison of up to three loan quotes in one go.

It can tell you the monthly payment, annual percentage rate (APR, which builds in non-interest costs and better represents what you're going to pay than the straight interest rate) and the total cost of borrowing for each.

It's up to you how you use that information.

You may choose to follow your heart and yield to the call of the water by deciding to pay a higher total cost. Or you may listen to your head and minimize that cost, perhaps by enduring some short-term pain with higher payments or choosing a less expensive craft. Either is fine, providing you understand the choice you're making.

APR vs. APY - What is the Difference?

Shop for Marine Financing before Shopping for a Boat

Buying a boat is different from buying a car. But there are plenty of similarities between the two shopping experiences and between boat loans and auto loans.

Too many consumers can't resist visiting a dealer to view the lovely, shiny things before exploring their financing options.

Do your boat financing homework

Dealers and their salespeople are generally incentivized to sell you their own finance deals. And those salespeople are among the slickest and most persuasive anywhere.

At some point, you're likely to hear, "I've found you the boat you want with the monthly payment you say you can afford. Why aren't you signing?"

You may well also be told that someone else is interested in your chosen boat or that the price will go up tomorrow. It's hard to resist even though you suspect you're being told a lie.

Unless, that is, you've already done your homework and have a boat loan quote or two in your pocket.

Take the quotes out and compare your options. Sometimes, the dealer really does have the best deal, especially if the boat's manufacturer is running a financing promotion. But often another loan offer could be better.

Can the dealer beat it? Yes? Well fine. If not, then sign for the boat but not the loan.

However, there is one more caveat.

Some dealers may offer great financing deals by keeping the boat's sticker price artificially high. So, if you're offered a zero or uber-low rate, make sure you can't buy the boat for less (possibly elsewhere) without dealer financing.

[Compare current loan rates](#)

Boat Financing Success: Use Heart and Head

Farmers Insurance has a [charming article](#) on its website about owning a boat. One owner recalls:

"I still remember the first time I took my boat out into the ocean off Fort Myers, Florida. It's hard for me to even put it into words. I hadn't felt like that since my first kiss."

And that's the thing about boats. They stir rare emotions.

Just remember that marine financing is something completely different. It has zero to do with emotions and everything to do with cold, hard numbers. It's best to keep the two separate.