



LOOKING FOR A USED BOAT? BE SMART, BUY SMART

Whether you're going to sail the open ocean, fish your favorite coves or chart a course to your dream retirement-buying a boat is the adventure of a lifetime. You can find many exceptional values in used boats-they can be affordable, seaworthy, well built, well maintained. To make sure you get years of pleasure and adventure out of your used boat, buy smart.

This special booklet will help you. It's a service of the California Department of Boating and Waterways and the California Yacht Brokers Association (CYBA). Read it before you buy, then refer to it for help as you go through the buying process. You can also use the Department's toll-free number and Web site for more help. They're listed at the bottom of each of the following pages.

Follow these steps and recommendations, make the right choices-and they'll make the sailing smoother during your boat buying experience.

Three reasons to read this before you buy

This booklet will:

- Help you determine the type of boat that best suits your needs and interests
- Help you understand the procedures that go into buying a boat
- Show you the services that a licensed yacht and ship broker can provide

Buy a used boat through a licensed yacht and ship broker

They're experienced. Plus, they're bonded and state-licensed professionals who specialize in this business. They also have instant access to statewide, national and even international networks of boat owners and brokers with boats to sell.

STEP ONE: ASK YOURSELF THESE QUESTIONS

Do you want a small boat?

- Do you want to water ski? Fish? Cruise?
- Do you want a boat you can pull on a trailer?
- For use on inland waterways? Coastal waterways?
- Can you park your boat at home or will you rent storage space?

Or maybe a larger boat?

- Do you want a larger boat for sailing, entertaining, extensive cruising, ocean fishing or diving?
- Do you plan to berth your boat in a marina? Larger boats are not usually trailered.
- Do you plan to live on the boat? Many people do. They're called "live-aboards."

How often do you plan to use your boat?

- Will you use it seasonally or year-round?
- Will you cook and sleep aboard it?
- Who will use the boat with you, and how often?

What are your boating skills?

- Are you an experienced boater-or just starting out?
- Do your boating skills match the boat you want to buy-or do you need instruction?

How much do you want to pay?

- What is your price range?
- What will your marine insurance costs be?
- How much will you spend for annual boat maintenance and bank financing?

STEP TWO: FINDING THE BOAT YOU WANT TO BUY

Where to start

Contact licensed yacht and ship brokers. They specialize in helping you find the right used boat for you, and their extensive networks of listings and brokers can provide you with the most complete choice of boats.

An Offer to Purchase

After you decide on the boat you want to buy, your broker prepares an Offer to Purchase for your signature. You also make a good-faith deposit on the boat, usually 10 percent of the purchase price. Your deposit goes into a bank trust fund that a licensed broker administers.

You control the deposit

By law, your money can't be spent without your written authorization, and your Offer to Purchase should always depend on your satisfaction of a Sea Trial and Survey. See Step Four for details.

STEP THREE: GETTING A BOAT LOAN AND MARINE INSURANCE

Securing a loan is fairly simple if you have a good credit history and can make a down payment, usually 20 percent of the boat's total delivered price.

You may want to pre-qualify for a boat loan before you shop. That will give you some extra leverage and breathing room when you're negotiating prices.

Most brokerages provide this service and will coordinate financing and insurance for you. Yacht and ship brokers work with companies specializing in boat loans and marine insurance.

Marine insurance:

How much does it cost?

Your costs depend on several factors, such as:

- How much boating experience you have
- Whether you have previous insurance claims
- What kind of navigational equipment your boat has
- Where you will use your boat and
- The boat's value

Expect to pay more for insurance if you're going to own a high-performance boat or a wooden boat, or if you will live aboard or cruise offshore.

Though you can get financing for boats 15 years or older-and boats needing a lot of repair-the rates may be higher than for newer boats.

STEP FOUR: GETTING A SEA TRIAL AND SURVEY

The seller has accepted your offer on a boat. You've lined up your financing, now it's time for a sea trial to see how this boat handles and performs in the water. The seller usually provides the sea trial. Your broker will usually go with you on the sea trial to answer your questions.

A survey is your opportunity to find out any problems, see if everything works properly and determine the boat's condition. Buyers pay for the surveys and for hauling the boat out of the water for inspection.

If an unforeseen problem shows up during the survey, you might be able to negotiate it into the final price.

Use a marine surveyor

Don't necessarily use a surveyor the seller has recommended-and don't rely on a survey report from the seller. The report might have been written before certain problems turned up in the boat.

Always use an independent surveyor and always survey the boat in and out of the water. Marine surveyors inspect the boat in your interest and the interests of your lender and insurance company. Often your lender will designate a marine surveyor, and brokers have lists of marine surveyors approved by lenders and marine insurance companies.

You can also find marine surveyors by calling the Society of Accredited Marine Surveyors (SAMS) at 1-800 344-9077, and the National Association of Marine Surveyors (NAMS) at 1-800 822-6267. One word of caution-California has no occupational licensing standards for marine surveyors. You should also ask an independent marine mechanic to inspect the engine.

Be there at the boat survey

We recommend that you attend the survey to learn firsthand what condition the boat is in. It's the best time to ask the surveyor questions.

What to do with your sea trial and survey results

One big reason for the survey is to find out the current condition and market value of the boat you want to buy.

If the results reveal flaws and problems, the sea trial and survey may give you the opportunity to back out of a contract without penalty-or to negotiate repairs on the boat.

But be advised: If you're buying boat at rock-bottom price, or if the seller is in distress and is selling for below his market price, the sea trial and survey will not give you leverage to negotiate. The seller might not have funds for repairs and is selling as is, where is. The seller may insist that you pay any repair costs.

Your broker usually gives copies of the survey report to your lender and insurance carrier for their review. They'll want to know the boat's condition, its replacement value and the surveyor's determination of the boat's market value.

Keep in mind, though-surveys are no guarantee against hidden or undetected defects.

STEP FIVE: SALES AGREEMENTS AND CONTRACTS

The cardinal rule is-get it in writing. Your broker will outline the terms of the sale in writing to protect your interests. That includes spelling out obligations that you and the seller have agreed to, and when these obligations will be fulfilled. It's a legally binding contract of each party's intentions.

What your sales agreement and contract should contain

A description of the boat and engine (if it's outboard powered), including the make, model, year, Hull Identification Number and (outboard) engine serial numbers. You can get the equipment list from the survey and the written specification sheet from your broker. This should include:

- The purchase price, including any deposits you have paid and how you will pay the balance-by cashier's check, for example
- Details about when and where the boat will be delivered and the sale finalized
- Language specifying that the sale depends on a satisfactory survey and sea trial-and your ability to get acceptable financing and marine insurance
- A statement confirming the boat is free of liens and encumbrances that might block the sale-the seller should also take responsibility for debts incurred during the seller's ownership

Who pays the broker?

The seller pays the commissions that a licensed yacht and ship broker earns-not the buyer. But that doesn't mean a broker works exclusively for the seller.

Brokers have a legal duty to buyer and seller alike in every transaction. Brokers work as trustees. They must work justly and in good conscience in the interests of both parties.

They're duly bound to act in good faith, and they must make full and complete disclosure.

One thing brokers can't do is guarantee the condition of the boats they're brokering. That's another important reason to get a sea trial and survey.

What should you expect from a licensed broker?

- Brokers should work in complete honesty. The Department of Boating and Waterways conducts criminal background checks on brokers and salespeople before they are licensed.
- Brokers must pass a three-hour written examination and post a \$15,000 surety bond before they receive their licenses.
- They must have a working knowledge of English, understand the principles of the boat brokerage profession-such as certificates of ownership, certificates of number, security agreements, bills of sale and other documents needed to register, number and transfer titles to boats.

- For undocumented boats, brokers must understand certificates of ownership, certificates of number, security agreements, bills of sale and other documents required to register, number and transfer title.
- For documented boats, brokers must understand that the transfer of title will comply with federal law as the U.S. Coast Guard administers it. Brokers must also understand maritime and admiralty liens, as well as mortgaging and transferring title to documented vessels.
- They must understand agency contracts, as well as listings and deposit requirements.
- They must have a general knowledge of the equipment legally required to be on boats.
- They must understand their legal and ethical obligation to buyers and sellers.
- They must have a general knowledge about boats.
- They must supervise their employees' sale activities-or risk losing their surety bonds if they're caught defrauding or making misrepresentations to customers.

STEP SIX: KNOW WHAT IT REALLY COSTS TO OWN A BOAT

So you know the boat's price tag and how much it'll cost to finance. But do you really know how much your boat will cost you? Let's add it up.

Know your tax deductions

If you're going to use your boat as a second home, you can deduct the interest on your boat loan-as long as the boat meets certain standards, such as:

- Sleeping accommodations
- A galley
- A head
- Talk to your tax adviser for more information.

Prepare for other costs

Be sure you budget for the less obvious costs, such as:

- One-time fees, including sales tax
- Recurring fees such as storage costs
- Personal property taxes
- Slip rental fees
- Maintenance
- Insurance

Ask your licensed yacht and ship broker to help you plan for these costs.

STEP SEVEN: BE SAFE

Know how to boat safely. The Department of Boating and Waterways provides free boating safety information and a Safe Boating Course booklet. The Department and CYBA also recommend that boaters take safety classes from the U.S. Coast Guard and the U.S. Power Squadrons. They're open to boaters throughout the state, with small fees for books and materials. You can usually reduce your insurance premiums if you take boating safety classes.

To find out about classes near you, call 1-800 869-SAIL or 1 -800 336-BOAT.

You should also consider taking private lessons aboard your boat.

What kinds of boating safety classes are available?

You can take courses in:

- Skills and seamanship for powerboats
- Sailing and seamanship for sailors
- Basic coastal navigation
- Advanced coastal piloting

- Advanced coastal navigation
- Basic piloting and seamanship
- Navigation rules
- Safe boat handling
- Rules of the road
- Navigation aids, compass and chart use
- And more

STEP EIGHT: NOW YOU OWN A BOAT WHAT NEXT? TRANSFERRING TITLE

As a courtesy, some brokers will transfer title of the boat through the California Department of Motor Vehicles.

If there's already a loan on the boat, your broker will handle paying it off for you after your funds have gone to your broker's trust account. In some cases the new lender will transfer the title.

If your boat is documented with the U.S. Coast Guard, a Documentation Service will transfer the title. You pay the cost and coordinate it with your lender. If you don't have a lender, your broker will refer you to a Documentation Service business.

Where do you put your boat?

Ask your broker for help locating a suitable marina to berth your boat.

What is the Department of Boating and Waterways?

You can also call us Cal Boating. We're the state agency that promotes your right to safe and enjoyable boating-and makes sure you have safe and convenient access to California's waterways. We promote the safety of the boating public through educational programs.

Vessel registration fees-as well as state and federal taxes on the gasoline boaters buy-pay for Cal Boating's safety and enforcement duties.

We're your watchdog for yacht and ship brokers

We also license yacht and ship brokers and yacht and ship salespersons to make sure they comply with consumer protection laws when they help you buy a boat. Yacht brokers are agents whom people hire to list and sell boats for them. The Department of Boating and Waterways has jurisdiction for the sale of brokered boats that are 16 feet or longer and weigh less than 300 gross tons.

The Department is required to investigate written complaints against brokers and sales-people-and has the authority to deny, suspend or revoke their licenses. The Department may also investigate the actions of brokers and salespeople, whether they're licensed or not.

To file a complaint, call the Department at 1(888) 326-2822 or fax your complaint to (916) 263-0357. You can also write the Department's Licensing Unit at 2000 Evergreen Street, Sacramento, CA 95815-3896.

About the California yacht Brokers Association

Founded in 1975, the CYBA is a non-profit group of yacht brokers, salespeople and marine-related affiliates dedicated to conducting business with integrity, dignity and the highest standards of professionalism. The CYBA works closely with the Department of Boating and Waterways.

Brokers also have their own watchdog

The Yacht Brokers Association also has a grievance and arbitration process to handle complaints against brokers and salespeople. Call the CYBA at 1-800 875-CYBA for more information.

Special thanks

The California Department of Boating and Waterways is grateful to Sherry Cameron of Cameron's Cove Yacht Sales for her tireless work researching and writing this guide. A licensed yacht broker for more than 20 years, Sherry is an active member in industry trade groups with an unflagging commitment to the excellence of her industry and the protection of consumers. Without her work, this guide would not have been possible.