

Your Consumer Protection Guide to

Buying a Used Boat



SAFETY FIRST



- » Determine the type of boat that best suits your needs and interests.
- » Understand the procedures that go into buying a boat.
- » Learn about helpful services provided by licensed yacht and ship brokers.



STATE OF CALIFORNIA
California Natural Resources Agency
California State Parks
DIVISION OF BOATING AND WATERWAYS

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 and well maintained. To make sure you get years of pleasure and adventure out of your used boat, buy smart.

This booklet will help you. It's a service of the California State Parks Division of Boating and Waterways (DBW). Read it before you buy, then refer to it for help as you go through the buying process. For more information visit our website at www.dbw.parks.ca.gov. Or you can call our toll free number (888) 326-2822, or email us at pubinfo@dbw.parks.ca.gov for more help.



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Buy a Used Boat Through a Licensed Yacht and Ship Broker

Licensed brokers are experienced. Plus, they are 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.



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DBW Mission

—To provide safe and convenient public access to California's waterways and leadership in promoting safe, enjoyable and environmentally sound recreational boating.

WHAT TYPE OF BOAT MEETS YOUR NEEDS?

» Before buying a used boat, ask yourself these helpful 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, or will you keep it moored on the water?
- ▶ Will you use on a boat on inland waterways, or on coastal bays and open ocean?
- ▶ 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?
- ▶ Do you plan to live on the boat?

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 will you need instruction?

How much do you want to pay?

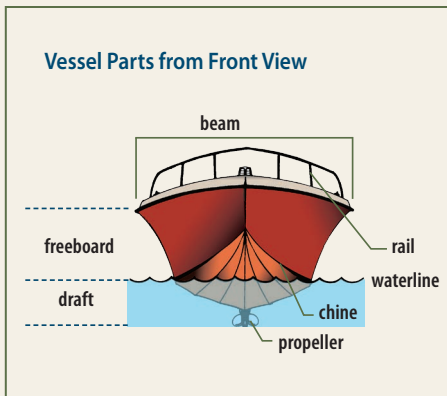
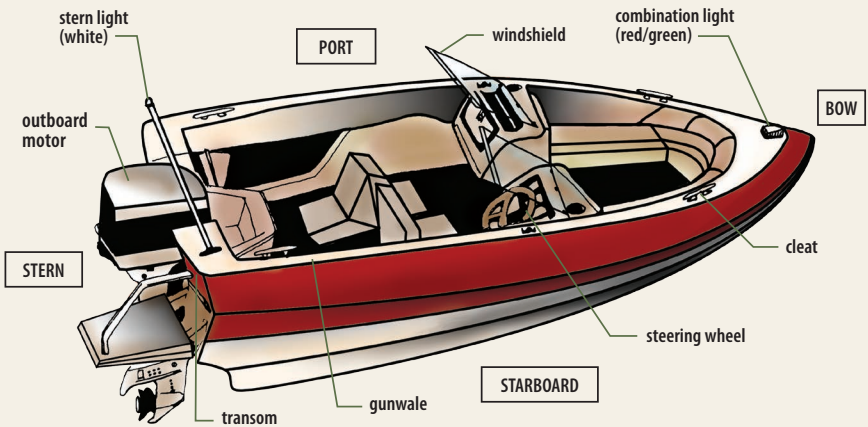
- ▶ What is your price range for a boat?
- ▶ What will your marine insurance costs be?
- ▶ How much will you spend for annual boat maintenance, docking and bank financing?



LEARN THE ANATOMY OF A BOAT

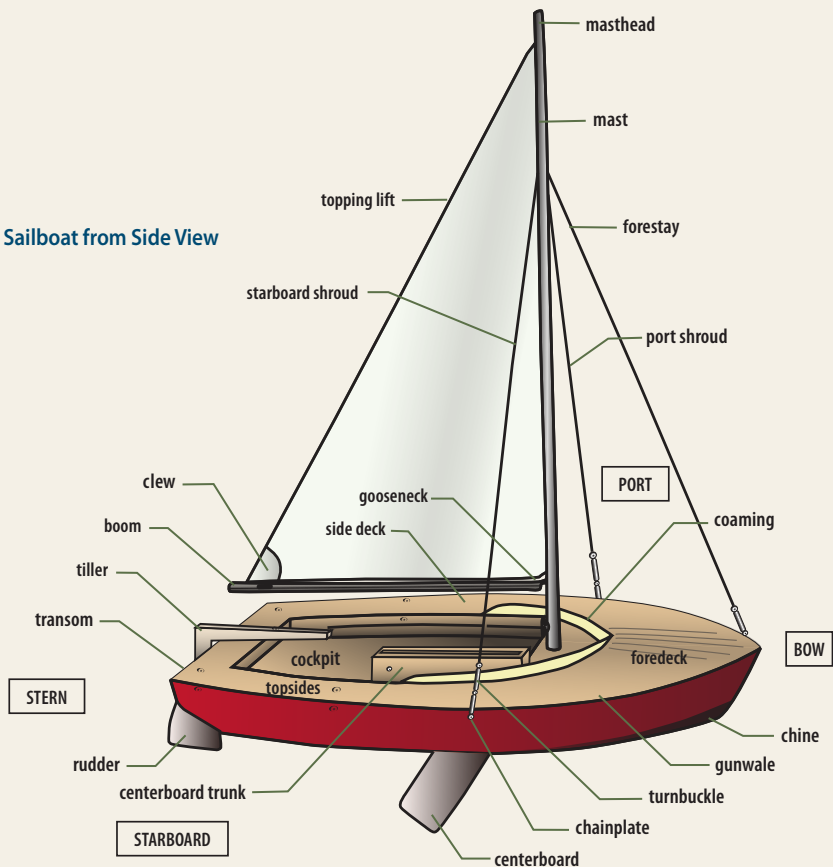
If you are thinking of buying a used boat and are new to boating, here are basic parts you should know.

Vessel Parts from Side View



To operate a boat safely, it's necessary to learn the names and locations of the parts of a boat. You will come across these names in manuals, in discussions with other boaters, and on navigation signs and charts. For more information on vessel types, get the DBW Boating Safety Course at <http://www.dbw.ca.gov/BoaterInfo>

Sailboat from Side View



Basic Parts of a Boat:

boom: A long poll used to extend the foot of a sail.

bow: The forward part or front of the boat.

centerboard: A pivoted board that can be lowered through the keel of a sailboat to reduce sideways movement.

chainplate: A metal plate used to attach a shroud or stay to sailboat.

chine: The intersection of the sides and bottom of a boat.

cleat: A piece of wood or metal with projecting ends to which lines are made fast.

clew: The lower, aft corner of a sail.

coaming: A raised frame around the cockpit or hatch of a yacht or other boat to keep out water.

draft: The depth of a vessel's keel and propeller below the waterline.

forestay: A wire or cable rod which supports and keeps the mast from falling backwards.

freeboard: The vertical distance measured on a boat's side from the waterline to the gunwale.

gunwale: The upper edge of a boat's side. (Pronounced gun-nel.)

mast: A spar set upright to support rigging and sails.

outboard motor: A detachable motor mounted on a boat's transom.

port: The left side of a boat when you are (inside) facing the bow; also a destination or harbor.

rudder: The control surface, usually aft by which a boat is steered.

shroud: A wire or cable holding the mast up from side to side. Shrouds are attached on both the port and starboard sides.

starboard: The right side of a boat when you are (inside) facing the bow.

stern: The aft end or back of a boat.

tiller: A bar or handle for turning a boat's rudder or an outboard motor.

topping lift: A line or cable for raising the end of a boom on a sailboat.

transom: The transverse planking which forms the aft end of a small, square-ended boat. (Outboard motors are usually attached to a transom.)

turnbuckle: A device for adjusting the tension or length of ropes or cables.



» With an extensive network of boat listings, licensed yacht and ship brokers specialize in helping you find the right used boat.

FINDING THE BOAT YOU WANT TO BUY



Where to start

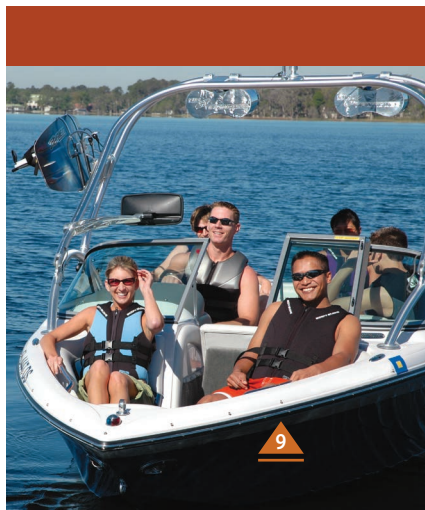
What does a broker do that you don't get through a private sale? They offer a layer of legal protection. They specialize in helping you find the right used boat for your needs, and their extensive networks of listings and brokers can provide you with the most complete choice of boats.

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 maintains.

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. You will read about that on page 11.



GETTING A BOAT LOAN AND MARINE INSURANCE

» You may want to pre-qualify for a boat loan before you shop.

Securing a loan is fairly simple if you have a good credit history and can make a down payment that is usually 20 percent of the boat's total delivered price. (Your deposit can be included in the down payment.)

Before you shop, consider pre-qualifying for a boat loan. That will give you some extra leverage and breathing room when you're negotiating prices.

Most brokerages provide pre-qualification services 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:

- ▶ Whether you have taken a boating safety course
- ▶ 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 classic wooden boat, or if you will live aboard or cruise offshore.

Although 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.



Photos on page 1, 4, 7, 9, 11, & 12 courtesy of the U.S. Coast Guard.

TAKING A SEA TRIAL AND GETTING A 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 should go with you on the sea trial to answer your questions.

A vessel survey is your opportunity to find out any problems, see if everything works properly and determine the boat's condition. You, as the buyer, pay for the survey 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 the repair into the final price.



» Attend the boat survey to find out the current condition and market value of the used boat.



Use a marine surveyor and marine mechanic

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 both in and out of the water. Marine surveyors inspect the boat in your interest as well as the interests of your lender and insurance company. Brokers have lists of marine surveyors approved by lenders and marine insurance companies, but often your lender will designate a marine surveyor.

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 does not have occupational licensing standards for marine surveyors. Always look for an experienced surveyor with good references.

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 the condition of the boat. 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 the boat at a rock-bottom price, or if the seller is in distress and is selling for below 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 will want to know:

- ▶ The boat's condition,
- ▶ Its replacement value, and
- ▶ The surveyor's determination of the boat's market value.

Be aware that surveys are no guarantee against hidden or undetected defects.





UNDERSTAND SALES AGREEMENTS AND CONTRACTS

The cardinal rule when buying and selling 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

Basic information includes: a description of the boat and engine (if it's outboard powered), including the make, model, year, Hull Identification Number (HIN) and (outboard) engine serial numbers. You can get the equipment list from the survey and the written specification sheet from your broker. These 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?

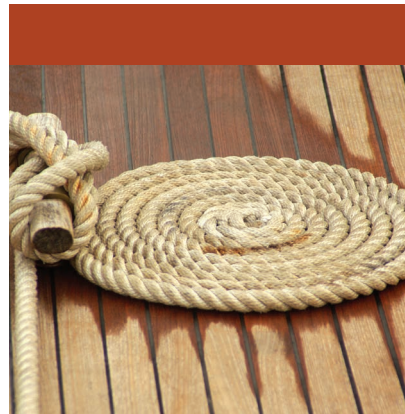
The seller pays the commissions that a licensed yacht and ship broker earns. But that doesn't mean a broker works exclusively for the seller.

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. DBW 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 and understand the principles of the boat brokerage profession.
- ▶ Brokers must understand the difference between an **undocumented boat** which is a vessel registered by the DMV and does *not* have a marine certificate issued by the U.S. Coast Guard and a **documented boat** which is a vessel registered and issued a marine certificate by the U.S. Coast Guard.
- ▶ 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.
- ▶ Brokers must have a general knowledge of recreational boats and the equipment legally required to be on boats.



- ▶ Brokers must understand their legal and ethical obligation to buyers and sellers.
- ▶ Brokers must supervise their employees' sale activities or risk losing their surety bonds if they defraud or make misrepresentations to customers.

KNOW WHAT IT REALLY COSTS TO OWN A BOAT

So you know the boat's price tag and how much it will 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, and has:

- ▶ Sleeping accommodations
- ▶ A galley
- ▶ And a head (toilet)

Talk to your tax adviser for more information about deductions.

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, maintenance, slip rental fees and insurance

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



IS BOATER SAFETY EDUCATION MANDATORY?

California Vessel Operator Card (CVOC)

Beginning Phase-in Schedule

On January 1, 2018, a seven-year phase-in of the California Vessel Operator Card (CVOC) requirements will begin with the following schedule:

Year	Operator Age
January 1, 2018	Persons 20 years of age or younger
January 1, 2019	Persons 25 years of age or younger
January 1, 2020	Persons 35 years of age or younger
January 1, 2021	Persons 40 years of age or younger
January 1, 2022	Persons 45 years of age or younger
January 1, 2023	Persons 50 years of age or younger
January 1, 2024	Persons 60 years of age or younger
January 1, 2025	All persons regardless of age



By 2017, DBW will begin issuing the CVOC to boaters operating motorized recreational vessels on California waterways who can show proof of passing an approved vessel operator examination.

Where can boaters take exams?

Boaters will be able to choose to take approved boating safety courses or challenge exams online, in the classroom or through home study.

To learn more about mandatory boater safety education, visit www.dbw.parks.ca.gov/CVOC.

» Brokers can help assist you in locating a suitable marina to berth your boat.



WHAT'S NEXT NOW THAT YOU OWN A BOAT?

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?

If you are looking for a place to put your boat, ask your broker for help locating a suitable marina to berth your boat.

Who can you call if you have questions about your broker?

DBW is your watchdog for yacht and ship brokers. We also license yacht and ship brokers and 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. DBW has jurisdiction over the sale of brokered boats that are 16 feet or longer and weigh less than 300 gross tons.

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

To file a complaint about a broker, call DBW at 1(888) 326-2822 or fax your complaint to (916) 327-1878. You can also write the Division's Licensing Unit at One Capitol Mall, Suite 500, Sacramento, CA 95814.

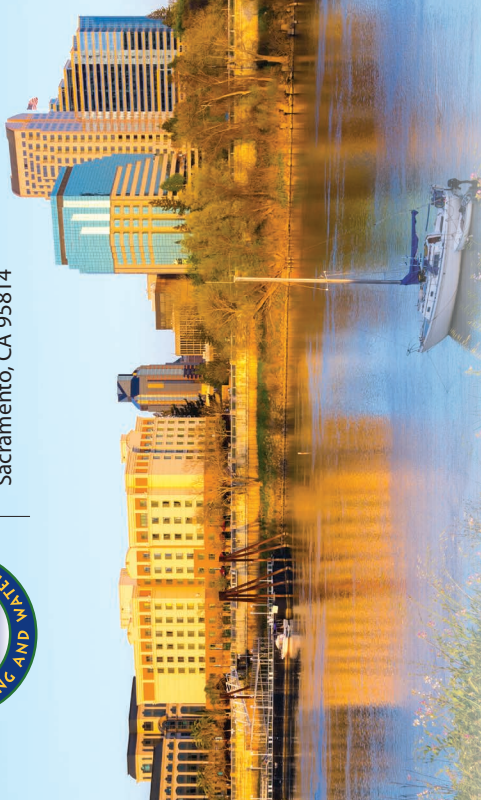
Additional Resources

DBW brings together a body of knowledge as the state's expert in recreational boating-related matters, including public access, safety and education, marine law enforcement, and consumer and environmental protection. To learn more about DBW and about the resources available to you, visit www.dbw.parks.ca.gov





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Thinking of Buying a Used Boat?

For helpful information on where to start and how to buy a used boat, refer to this guide to learn the procedures that go into buying a used boat.

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