

50225 3 2 1 David writes with a common question, "Dear Mr. Cooper, I really need to sell my boat, but I have been unable to find a buyer who can pay the whole price at the time of sale. If I provide owner financing of part of the purchase price, can I protect myself if I record a mortgage or lien?"

Good question, David. The only risk free scheme of vessel financing involves one easy payment - 100% cash at time of sale. However, the risks of owner financing as part of vessel sale transactions can be reduced. Here are some suggestions.

1. Check the credit history and financial condition of the buyer. Financially shaky buyers attract problems and a judgment or tax lien against a buyer may attach to your boat when he buys it. Look for a sound buyer with a clean credit history.

2. Require a substantial downpayment which represents a real investment by the buyer. Buyer motivation gets loans paid.

3. If the vessel is documented with the U.S. Coast Guard, file a Preferred Ship Mortgage with the Coast Guard for a high priority maritime lien which will outrank all landside liens and non-preferred maritime liens.

4. Require the buyer to carry adequate hull insurance on the vessel and adequate protective and indemnity insurance to protect against liability. Vessels sink, catch fire, run aground, collide with bridges, and are arrested by government authority. Uninsured buyers after a casualty are less likely to pay your loan. Proper hull and P&I insurance will protect against many, but not all, of the risks.

5. Become an additional loss payee on any insurance

---

coverage, so that insurance proceeds will be applied to repair the vessel or to your loan before being paid to the buyer.

6. Protect against a breach of warranty by the buyer, which would otherwise void insurance coverage, by insisting on a breach of warranty endorsement.

7. If your boat is registered with the Boating Division, consider documentation. If documentation is not an option, have your lien recorded against the title and retain the title in your possession until your loan is paid.

More next week on The Admiralty Docket. Until then, remember your rights and responsibilities may change as you approach the shore and may God Almighty grant you pleasant sailing. 50225

---