

## **USCG Documentation versus State titling**

Unlike the case of an automobile, the ownership of a boat may be secured with either a state title OR a Federal USCG Certificate of Documentation (“document”).

When purchasing a boat or yacht, we recommend keeping in mind the following information:

A USCG Certificate of Documentation does not actually have lien information printed upon it. On the other hand, state titles often have lien information printed on their face as to lien cancellations for loans that have been paid off.

The best way to determine the status of a document is to have a USCG Abstract of Title done. For a small extra charge, we will be happy to run the abstract for you. IF you prefer to do the search yourself the fee is \$25 here: <https://www.pay.gov/public/form/direct/1175233>

A boat should not have BOTH a state title and a USCG document in effect simultaneously. This can and sometimes does lead to at worst fraud, and at best, tangled paperwork. You don't want to purchase a boat with an Ohio title issued to Bob Jones, only to find out at a later date that the boat still shows with an ACTIVE USCG document in the name of Tom Smith in Michigan. Or worse, that the Document still shows Mr. Smith's bank lien as being ACTIVE. If such situations are left undiscovered for months or years, things get even more complicated by the death of a prior owner, or defunct status of the lender who still holds the mortgage. It is best to DETERMINE THE STATUS OF ANY USCG DOCUMENT UP FRONT.

If you notice that a boat displays state registration numbers on the bow it is a good indicator that the boat is titled in that state. However, this is NOT guarantee that the boat does not also appear in ACTIVE status in the USCG document database. It is possible to check the status of a boat in the USCG database, or contact us and we can do it for you.

A question that often arises is “why is a boat documented with the US Coast Guard anyway?”. The primary reason that a boat is documented is because a lien that is recorded on a USCG Document subordinates other liens in the case that a boat is repossessed. In other words, if a bank repossesses a state titled boat, and that boat has a marina yard bill for \$10,000, the marina may very well collect its \$10,000.00 BEFORE the bank would get any of its mortgage money. However, in the case of a lien on a documented boat, the banks lien is secured by what is called a FIRST PREFERRED SHIP'S MORTGAGE and, with a few exceptions, the bank would get its mortgage money before any other creditors see theirs. This is why lenders want boats held as collateral to be documented.

Keep in mind that only US citizens can hold a USCG document in their name.

If a boat has a state title, be sure to ask the seller for a copy of the front and back of the title. Some sellers might be hesitant, but the information is PUBLIC information and there really is no reason for a seller to conceal it. Getting a copy of a title shows who actually owns it and for how long, and how much they paid (or reportedly paid) when it last changed hands. If a \$100,000.00 boat sold last October for \$15,000 you might want to ask why.

Boats can move from state to state and from regions of the country like people can. Sometimes a 20 years old boat may first show up in a state database only within the last few years. For example, if a 2000 model boat that is titled in Ohio shows that the first title ever issued in Ohio was issued in 2018, that suggests that a) the boat was in the USCG database as a documented boat and only recently converted to a state title, or b) was owned and used in another state prior being brought to and titled in Ohio. If the situation is a), the boat had been previously documented, best to check with the Coast Guard to confirm that it has been properly De-documented and removed from the ACTIVE rolls. If the situation is b), some time digging into the boat's history might be in order in the interest of determining if the prior state was Michigan, or perhaps Florida. Remember, a boat's saltwater history might not be prominent in any advertisement or listing.

If in doubt, ask questions. Feel free to call our office (440-946-1111) or email us (<mailto:marguerite@greatlakesmarine.com>) and discuss. If we don't have the answer, we can often refer you to the right person who does!