

BUY IT!

3 Steps to RV Financing

A Guide to Financing Your RV





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ABOUT RV WHOLESALE SUPERSTORE

Family owned and operated since 1972, RV Wholesale Superstore has been selling and servicing a variety of recreational vehicles to customers just like you. We have a long tradition of customer service excellence because we recognize that our customers are part of our family and because we've partnered with the best manufacturers in the RV business.

We stock more than 25 brands from major manufacturers like Forest River, Palomino, Coachmen and Keystone including, many different travel trailers, fifth wheels, toy haulers, sport utility RVs, hybrid expandable RVs, and pop-up trailers. Our factory-trained professionals are here to help you find the RV that is right for you.

We understand that today's customer is value-driven. Our mission is to help you find the right RV for the right price and provide you with the best service long after your purchase.

RV Wholesale Superstore has a global reach. While our show yard is located just outside of Toledo, Ohio, we specialize in wholesale RVs shipped throughout the United States, Canada, and overseas. Visit us online at www.rvwholesalesuperstore.com, in-person at 5080 W. Alexis Road, Sylvania, OH, or call **844-601-1171**.

STEP 1: YOUR BUDGET

Before you purchase an RV, ask yourself where the money will come from. You have more than one option to consider: you could rely on a lender to finance your purchase or you could pay in cash.

Before you decide, remember that both options come with “extra costs” built in.

BORROWING THE MONEY

When you borrow money, you must keep in mind the amount of the loan, the interest rate, and how long you have to pay it off (the length of time is also called the “term” of the loan).

Amount of the Loan

Determine how much cash you can put down – pay upfront; your down payment -- on your RV purchase. The more you can afford, the better, because that means you’ll have to finance a lower amount. The amount you put down on your purchase is interest-free.

Interest Rate

The interest rate is a fee that you are charged when you borrow money from a lender. Interest rates can really add up, that’s why you want to find the lowest interest rate possible. To secure a low interest rate, you’ll ideally need a large down payment and excellent credit.

QUICK TIP

Older RVs will have higher interest rates.

You’ll have a higher interest rate if your down payment is small versus more substantial.

Term

When purchasing an RV, it’s best to keep in mind that, to get the best value from your purchase, you need to own it for three to five years at a minimum. Even better, plan to own it for five to seven years. Don’t find yourself in a bad position by assuming that you will simply trade in your RV for something else every two years; this is how people rack up debt. Instead, plan to own your RV for a significant amount of time.

The longer that you own the same RV, the less you will owe, making the next purchase even easier and wiser in the long run.



HOW MUCH YOU REALLY PAY

Many RV buyers rely on a lender to finance their purchase. Most institutions finance RVs for up to 20 years, which keeps monthly payments low. That's why most buyers choose the longest term available – so they can secure the lowest payment possible (even if they can afford more).

What happens is that RV buyers choose a lower monthly payment for a longer period of time, making the payments seem smaller. But in reality, because of the accumulation of interest over so many years, they end up paying much, much more than the value of their RV.

This can be quite disappointing when the RV owners go to trade in their RV for another one, especially if debt remains on their loan.

Here is a great example of how a \$50,000 loan balloons into over \$77,000:

<http://www.bestrate-loans.com/rv-financing-tips.htm>

An Example of a \$50,000 Loan

- Interest Rate - 5.25%
- Term in Years - 15 years
- Payment Amount - \$428
- Total Interest Paid - \$27,168

A \$428 monthly payment means that the RV owners have paid \$27,000 more than the RV was worth. So when they approach a dealership

for a trade-in, and learn the value of the RV, they usually find that they owe more on the loan than the RV is worth.

Save Money (Discipline Required)

To save money overall, increase your monthly payment by \$50 or more.

For example, if you added \$50 to each monthly payment, this is the result:

- Effective Interest - 4.64%
- Loan Term in Years - 12.63 years
- Total Interest Paid - \$22,418
- TTL Interest Savings - \$4,750

Adding \$150 to the monthly payment results in this:

- Effective Interest - 2.62%
- Loan Term in Years - 8 years
- Total Interest Paid - \$5,487
- TTL Interest Savings - \$21,681

PAYING CASH

Another option is to purchase your RV with cash. Whether you save up over time or choose to use savings you already have, there are pros and cons to paying with cash.

When making your decision, remember to consider the following. PRO: No interest fees! The final price that you and your sale rep. agree on is the total amount you will owe. CON: By



using money that you have saved and most likely invested in some type of interest-bearing account to buy your RV, you'll lose out on the potential earning power on that sum.

Have you considered how much money you **won't earn** from the assets you liquidate to buy your RV? It may not be worth the loss of potential income earned in a retirement account, for example. Also, keep in mind that some liquidation options carry penalties or fees.

CREATING A BUDGET

Now that you've determined where the money will come from, it's time to research and decide on a reasonable budget and monthly payment for you.

Ask yourself, “**How much can I afford?**”

Use an Online Calculator

There are many resources available to help you determine how much you can afford each month. Here's one from RVTrader: <http://www.rvtrader.com/research/tools/loan-calculator>

To use it, just enter the Interest Rate, Loan Term (years), and the Amount of the Loan. This calculator will provide a rough estimate that you can use to aid you in your budget research.

After you've run the numbers and know what you can afford, you're ready to approach a financial institution for a loan. Shop around to ensure that you're getting a competitive rate.



STEP 2: YOUR CREDIT

To get the best price on your RV, you need to understand the lending process and how your credit score influences it.

Good credit is your ticket to getting approved for a loan and negotiating great terms. If you have great credit, pat yourself on the back! Your credit score is an important factor in determining your loan acceptance and terms.

WHAT IS GOOD CREDIT?

Lenders that offer RV loans are often more selective and will accept a credit score of 700. But for the best interest rate and terms, you'll need a score of 780 or better.

Is your credit just okay (around 650)? You can still qualify for a loan, but you'll receive a higher rate and will need to provide a larger down payment.

Is your credit score low (low 600s)? There are still options to finance your RV purchase, but the interest rate could be substantially higher. Focus on proving yourself with on-time payments over the next three years and then refinancing may be an step in the right direction. If you have a credit score below 600, chances are you won't qualify for a loan.

Check Your Credit Score

According to the Federal Trade Commission:

The Fair Credit Reporting Act (FCRA) requires each of the nationwide credit reporting companies — Equifax, Experian, and TransUnion — to provide you with a free copy of your credit report, at your request, once every 12 months. The FCRA promotes the accuracy and privacy of information in the files of the nation's credit reporting companies. The Federal Trade Commission (FTC), the nation's consumer protection agency, enforces the FCRA with respect to credit reporting companies.

You can request a free copy of your credit report from each of three major credit reporting agencies — Equifax, Experian, and TransUnion — once each year at AnnualCreditReport.com or call toll-free 1-877-322-8228.

Debt-to-Income Ratio (DTI)

Another piece of information that lenders consider other than your credit score is how much revolving debt you carry in relation to your income. This called your Debt-to-Income Ratio or DTI.

Monthly Debt Obligations – Payments (mortgage, auto, credit cards)

Monthly Gross Income – Income before taxes

Debt-to-Income Ratio – To find the DTI, divide your monthly revolving debt by your monthly gross income

Proof of Income – Tax returns for the past two years

Remember, DTI can affect your chances of financing approval and influence the interest rate that you receive. Most lenders want to see a DTI ratio of 45% or less. Those with great credit may be able to

Improve Your Credit Score

Your credit score is a valuable asset that you should be vigilant about increasing. A great credit score can save you thousands and thousands of dollars in interest on large payments.

No matter what your credit score is, you can work to make it better. Here's how:

- 1. Pay Your Bills On Time**

This is the number one rule to great credit – make sure those bills are paid on time! Overdue payments wreak havoc on credit scores.

- 2. Keep Credit Card Balances Low**

For all your “revolving credit” purchases, keep those balances low. High, unpaid debt impacts your score negatively.

- 3. Open New Credit Cards Only If Necessary**

Opening new cards probably won't help your score very much, so apply for and open new accounts only when absolutely necessary.

- 4. Pay Off Debt**

Instead of moving your debt from one credit card to another, pay it off! This can increase your credit score.



STEP 3: YOUR LENDER

ABOUT LENDERS & LENDING INSTITUTIONS

If you're going to finance your RV, you'll need to borrow the money from somewhere. That usually means borrowing from a lender or lending institution.

Lender – an organization or person that lends money; bank, credit union, or financial institution

Choosing a Lender

How do you choose which lender to borrow money from? Obviously, considering the price of your RV, this is an important decision.

Most banks offer RV financing, as do many credit unions. Some institutions also specialize in RV loans. Do your research and check out more than one of these options. Local credit unions may be easier to deal with, but may not have the capacity for a very large (\$100,000+) loan with a long term (15 to 20 years).

Go Through Your Dealership

Check with your dealership to help secure a loan. Many RV dealers offer financing in-house. Financing usually goes through an affiliated lender, but your dealership will handle the loan application process for you as part of the negotiations.

Be sure to ask if dealer financing qualifies you for special discounts or purchase terms.

Pre-Approval

If for some reason your RV dealer is unable to secure a loan for you, then you may need to seek your own financing. Complete your research and make sure you understand the rates and terms of the proposed loans. From there, select a lender and pursue pre-approval. You'll have a stronger position from which to negotiate if your loan is pre-approved.

Top Lenders

A search on Google for “top RV lenders” can be daunting – and frustrating. It’s hard to weed through all the information put out by lending institutions to find solid, honest feedback on this topic.

Here are some lists of “top lenders” to help you on your way:

Top Lenders for Full Timers

If you are a Full Timer, there are three lenders that offer financing or refinancing options for you:

1. **Good Sam Finance Center** - <http://www.goodsamclub.com/>
2. **Finance Source** - <https://www.financesource.com/>
3. **Essex Credit** - <https://www.essexcredit.com/>

Biggest Lenders

Here is a list of some of the largest lending institutions out there:

1. **Bank of America** - <https://www.bankofamerica.com/>
2. **First Merit** - <https://www.firstmerit.com/>
3. **Ally** - <https://www.ally.com/auto/rv-financing/>



TERMS TO KNOW

Before you approach an institution for a loan, understand a few basic terms:

Loan Value

Do you know the loan value of your RV?

Loan value is the amount a lender will loan on an RV; it is the value of your loan.

Finding the loan value of your RV may be tricky, as each lender has its own process to determine this amount. Most lenders will loan an amount that falls somewhere between the wholesale price of the RV and the retail price.

Down Payments

When it comes to down payments, here's a suggestion to get the best value out of your money:

Since all indirect loans (with the exception US BANK) have no early pay off penalty, put the minimum amount requested by the lender down, and then make the balance of your intended down payment after the loan has been executed. That way you'll receive the best possible rate/term combination.

Here are some examples:

	CASE 1	CASE 2	CASE 3	CASE 4
Start Date	5/2/2016	5/2/2016	5/2/2016	5/2/2016
Transaction Amount	\$ 28,000.00	\$ 28,000.00	\$ 28,000.00	\$ 28,000.00
Down Payment	\$ 5,600.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00
Extra Payment at Beginning	\$ -	\$ -	\$ 4,200.00	\$ 4,200.00
APR (Excellent Credit)	5.99%	4.99%	4.99%	4.99%
Monthly Payment	\$ 219.61	\$ 211.32	\$ 211.32	\$ 219.61
Loan Done in	5/3/2028	5/3/2031	5/3/2028	9/3/2027
Total Interest	\$ 9,209.16	\$ 11,422.51	\$ 7,567.59	\$ 7,159.38

For the cases listed on the previous page, here are the details associated with each transaction.

Common Items

- Customer scores over 800 FICO Risk v8.
- There is no negative equity involved in this transaction.
- Customer DTI is under 35%.

Case 1

- 20% down
- 5.99% APR
- 12 year
- \$ 219.61 Required Payment

Case 2

- 5% down
- 4.99% APR
- 15 year
- No Additional/Pre-Payments

Case 3

- 5% down
- 4.99% APR
- 15 year loan (Actually done in 12 years)
- Uses balance of 20% down payment (15%) as first payment
- Saves \$1641.57 over Case 1, \$2213.35 over Case 2

Case 4

- 5% down
- 4.99% APR
- 15 year loan (Actually done under 12 years)
- Uses balance of 20% down payment (15%) as first payment
- Makes payment for 12 year loan at higher rate instead of minimum.
- Saves \$ 2049.78 over Case 1, \$4,263.13 over Case 2, \$408.21 over Case 3



SHOP RV WHOLESALE SUPERSTORE IN-PERSON OR ONLINE

Visit our show yard located just outside of Toledo, Ohio. Our factory-trained professionals are here to help you find the RV that is right for you. We are located at 5080 W. Alexis Road, Sylvania, OH. We also specialize in wholesale RVs shipped throughout the United States, Canada, and overseas. Visit us online at www.rvwholesalesuperstore.com or call **844-601-1171**.



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