The open road and a motor home have been part of the American dream for decades. But the dream may seem reserved for those with good nest eggs and over 50.

While people of all ages would love to own RV’s for short trips or longer cross county treks, the costs of these homes away from home often equals the cost of a small stationary house. Motor homes can range from $100,000 new to up to $500,000 if you want to customize your dream vehicle. Even used models in decent condition still cost at least five figures. While purchasing cheaper vehicles and renovating them has become popular, you are still talking a lot of money before the vehicle is ready for the road and your family.

Few people can pay cash or credit so they turn to banks and finance companies to fund their dreams.

Jade Beckman, VP of Consumer Loans for Mountain America Credit Union in West Jordan, Utah, said she has seen a steady increase in RV loan applications over the last seven years.

“We attribute it to a number of factors,” she said. “For one, unemployment is dropping, which increases consumer confidence. When consumers feel more confident, they are willing to spend more. We have seen the same on the auto side, though auto loans haven’t been as steady.”

Lenders are seeing an interesting mix of choices when it comes to RVs.

Philip Colonna of Chesapeake Financial Services in Annapolis, Maryland said his customers prefer used models. Across the country, Beckman is seeking a demand for newer motor homes.

“The typical RVs we see members financing are 18 to 30 foot-long trailers,” Beckman said. A large number of our portfolio is in the $30,000-$35,000 range.”

Beckman says no “typical customer” in the RV market exists.

“We see customers for RV loans that touch all points of the demographic spectrum,” she said. “We’re seeing a lot of families purchasing RV’s.”
The larger motor homes lean to a much older demographic, she said.

To get that financing, Colonna and Beckman agree that good credit is important for potential buyers.

For Colonna, a credit score of 740 or higher is needed. Beckman said her credit union does not take a lot of risk with their RV portfolio.

“RVs depreciate faster so we lean towards those with hither credit ratings,” she said. “RV financing is heavier on the prime credit than auto financing. Most of what we do with RV loans is through indirect contact with dealerships located around the western United States. Consumers can also start the loan process for a new RV online or in the branch. “

Southeast Financial specializes in loans for all types of recreational vehicles. Their experts recommend these tips to those wanting to finance a motor home or camper.

- A simple-interest loan is your best bet. With this type of loan, you can make monthly payments until the loan is paid and you won’t be penalized for prepayment. And if you prepay the loan, you will only pay interest for the time period of the loan.

- Don’t allow too many financial institutions to run a credit check. You may think that it is wise to approach several loan officers about financing. But if each of them runs a credit check on you, it will lower your credit score. Search for a financial institution that will reach out to several banks on your behalf and will only run your credit score once.

- If you are thinking about purchasing an RV in the future, save your money. Many institutions require a ten percent down payment or more just to qualify for a loan.

- Consider whether or not you can afford a motor home or camper. Dreaming is okay, but making a purchase you may not be able to afford can jeopardize your financial future. A good measurement of what you can afford is to measure your debt to income ratio. If you have high debt payments, you may not qualify for a loan anyway. Wait until you have reduced your debt so you can get the best rates.

Economists say the country’s financial picture is improving. And while that could make it easier to get a loan, interest rates may be higher. But the best time to purchase an RV does not depend on the economic picture but what is best for your family.

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