

Pleasure Boats

PRESIDENT'S MESSAGE



Welcome to 2003! I am very excited and quite proud to be serving as President of the NMBA for the next term, and hope to communicate with you often. The marine industry has seen a couple of trying years, and this one promises to be no different. However there are many reasons why I see this as a year of opportunity and growth by listening to customer needs and providing service that exceeds their expectations. Here are a few opportunities that will be presented to you by the NMBA over the coming months.

- Nikki Tompkins, your newest director, has already become involved with the Membership Committee. She will be assisting committee chairman Don Parkhurst (your new Vice President) with various responsibilities. But you don't have to be a board member to work on a committee – and we want you to participate! So please call me or any of the other board members and let us know how you can help.
- The 2001 Annual Lenders Survey will be published very soon. Take the time to review the activity reports, the delinquency rates, the customer demographics and learn from them. Use this information to better your organization.
- Robin Cottmeyer (your new Secretary) and her

Education Committee and supporters had a very successful Lenders Workshop in Annapolis in December, with 33 attendees learning best practices for marine lending. This conference is held annually in December and every member could benefit greatly from sending staff to this seminar.

- The 2003 Annual Conference will be back in Orlando this year – with new dates in September. Bill Otto (your Treasurer) and his Conference Committee will be taking us to the new and beautiful Gaylord Palms for an impressive event.
- Through our Newsletter and Website we will continue to keep our members abreast of current developments of our Association and the industry.
- The NMBA will continue to offer networking and education through our various events to keep you informed of the challenges and opportunities presented by our industry.

I want to hear from you! Please call me (714-481-8870) or send me an email (peggy.bodenreider@etrade.com) to discuss how I can help you get more out of your NMBA membership. We are here for you – to provide a forum for learning, sharing information, communicating with one another, and supporting the marine industry as a whole. I will listen to your needs and do the best I can to help the NMBA exceed your expectations. *Peggy Bodenreider*

NMBA '03 CONFERENCE IN ORLANDO

The NMBA's 2003 conference heads to the Gaylord Palms, Resort and Conference Center in Orlando, FL September 20 to 24. Conference chairman Bill Otto and committee-person (and Orlando expert) Jim Meere visited the property and report it is ideal for the business and recreational needs of the event. The resort is set on 65 acres and just 20 minutes from Orlando airport. It encompasses the ambience of St Augustine, Key West, the Everglades and the Emerald Bay... all under one roof. It features a 4 acre grand atrium with lush gardens and water features, a beautiful spa, on site entertainment, retail street (fabulous) shopping, and lots of activities for kids. Its golf course, Falcon's Fire is a short distance away, and has been rated highly. Room rate will be \$149 single or double occupancy, and golf rates will be more conservative than those of the past few years. Mark your calendars now for marine lending's leading trade business conference and get-together.



Check out this beautiful property at www.gaylordhotels.com



NMBA ELECTS OFFICERS & DIRECTORS

New president predicts continuing "borrower's market" for 2003

Incoming president for the National Marine Bankers Association (NMBA), Peggy Bodenreider, says the boating industry should expect more positive support from the lending community to help it get its legs back in 2003. "Banks have money, they appear willing to lend, and interest rates are at historical lows," she points out. "In addition, the Federal Reserve focused all year in 2002 on maintaining consumer confidence and will continue to do so. For those who are ready to buy, there will be a variety of manufacturer and dealer incentives available. These factors will enhance the value of the boat-buying experience for consumers at the upcoming winter boat shows and probably continue through the traditional spring boat buying season."

Bodenreider, National Accounts Manager for Manufacturer Relations for Ganis Credit Corp. based in Costa Mesa, CA, was elected by the NMBA Board in early November. She succeeds Jim Coburn of Detroit's National City Bank who continues as a director of the organization. Of the transition, Coburn expects it "to help NMBA continue moving to higher levels of service for its members.

The successor management plan we instituted is in place and working." Other officers elected include vice president Don Parkhurst of SunTrust Bank of Fairfax, VA, treasurer Bill Otto of Key Bank USA of Grand Rapids, MI, and secretary

Robin Cottmeyer of Offshore Financial, Annapolis, MD.

NMBA will continue its focuses even as the leadership evolves, Bodenreider explains. "We will keep members educated and informed about market conditions within the marine industry through seminars, newsletters, our website, and the coming expansion of an annual lender survey and quarterly updates. Communication will become even more important as we face the economic challenges and rebuilding over the coming year." She also feels the programs are showing results, pointing to the elections where voter response increased by 25% in 2002.

Newly elected to the 10-person board is Nikki Tompkins, senior vice president and manager of Wachovia Bank's Specialized Lending Group, which finances marine and RV loans for both service companies and dealers. She has 14 years in banking and has held various positions in commercial lending, private banking, and dealer financial services. Prior to joining Wachovia in Winston-Salem, NC in 2000, Tompkins managed the credit area for the Specialized Lending Group at Bank of America.

Continuing NMBA directors include Jacqueline Forese of Forest Green Associates of Islandia, NY, Don Mattocks of Primus/Ford Credit of Franklin, TN and Greg Proteau, an industry consultant in Wilmette, IL



*Don Parkhurst,
Vice President*



Jim Meere, Director



*Nikki Tompkins,
Director*

WANTED: CREATIVE MINDS

The NMBA PROMOTIONS Committee needs volunteers to help with our Website redesign, refreshing our loan awareness campaign materials, and other initiatives. You all have a marketing team within your company and we could benefit from their skills!

**Please contact Peggy Bodenreider
at 714-481-8870 or
peggy.bodenreider@etrade.com.**

WANTED: A LIBRARY FILLED WITH BOAT FINANCE ARTICLES

The NMBA COMMUNICATION committee is looking for articles about boat financing, buying tips, insurance, surveys, etc. for our Website and we need you to help identify appropriate copy. As you're reading all those boating magazines look for articles that could fit our needs.

**Please contact Peggy Bodenreider
at 714-481-8870 or
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with your suggestions. And if you know someone in your company that has a nose for news and a flair for writing, we could use their talent!

HOW'S BUSINESS AND '03 PROJECTIONS

NMBA members and service providers offer comments on the market

Finance trends show the industry on an even keel at year end, according to Richard Strickler, senior vice president of recreational products at Transamerica Distribution Finance. "The market has entered a period of steady improvement, and indicators from the past six months — like improving dealer sales and profitability — suggest that 2003 will offer continued stability and growth. Finance trends show that the marine industry slowdown, which began in Spring 2001, finally turned around with increased consumer demand in mid to late summer of this year. Today, dealers have sold off much of their excess inventories and are restocking for the coming year." He noted that improved dealer sales made August '02 a record month for credit facility payments as compared to previous months for the firm. September and October remained strong, and it looks as if the stronger sales trend will continue for the rest of the year. This, combined with the lowest inventory levels in a decade, appears to have allowed finance companies to offer more credit to many of their dealer customers.

"Most sectors of the marine industry this year continued their progress toward a more streamlined, paperless environment, Strickler adds. The marine finance industry sector was no exception. He feels dealers are doing business more efficiently and manufacturers are receiving approvals more quickly using lenders' Internet-based account management systems. In 2002, more than 50 percent of Transamerica Distribution Finance's invoice payments were received electronically via Dealer Online, the company's online dealer offering. Products like Dealer Online allow dealers to monitor invoices and interest bills, manage inventories and make payments. The company's manufacturer equivalent, Manufacturer Online, for example, offers boat builders electronic invoicing and payment options. It is expected that the increasing use of finance companies' Internet-based systems will continue next year.

"While trends suggest positive growth for the market's future, we shouldn't simply leave it up to an unpredictable economy. There is much more the industry can do to promote boating among consumers and drive sales. If marine manufacturers, dealers, lenders and other industry organizations can effectively work together within the context of their defined roles, the results almost certainly will benefit us all," Strickler summarizes.

A view from the liquidation side

"In our region, the final quarter of 2002 is closing with a consistent and steady amount of repossessions from a variety of marine lenders," reports Bryan Braley, owner LAB

Marine of Baltimore, who offers repo, brokerage and substitute custody services throughout the east coast. His clients' portfolios appear to be performing at a healthy and manageable level while showing a notable change: a substantial increase in the number of sailboat repossessions. "Even with a service area that includes Annapolis, past years have produced only a minimal amount of sailboat repossessions. Yet in the last two months our sailboat repossessions have tripled the amount of all last year with the majority carrying large balances." From the start of 2002 and continuing through its close, his firm has witnessed a significant increase in repossessions involving large balances, classified as over \$100,000, and the repossession of yachts, over \$500,000.

Braley thinks the sailboat and \$500K repos reflect how unstable the economy has been. He views sail boaters are very calculated and precise, unlike a lot of power boaters that are compulsive shoppers. "So if the sailors go into default, it tells me something major has happened in their life, like losing their job or business. I think its much the same with the over \$500,000 defaults where something major has happened." In Lab's case, the majority of defaults have been under corporate names with personal guarantees; most were medium sized businesses that probably had great numbers on paper at the time of purchase. "The problem was their entire revenue stemmed from business supplied by one or two large corporations, and as the economy tightened, these firms cut costs by no longer subcontracting their work and moved it in-house. In a couple cases, especially as the dot-coms went out of businesses, the midsize companies were left dead in the water."

At Lab, sales are continuing at a record-breaking pace, says Braley. "Never before has our final quarter produced our best sales figures for the year. Typically sales in the Mid-Atlantic region slow as we near Thanksgiving only to resume after the first of the year. We expect this trend of consistent year round sales to continue for years to come." The Internet has become the firm's best tool for generating buyers with astonishing growth in national and international buyers who view inventory. Currently, 80 percent of Lab's sales are produced by out of state buyers. "Equally important has been the decision by the majority of lenders to sell their repossessed inventory alongside one another through select brokerage facilities. By doing so, the lenders have amplified their buying audience and created repossession sales centers where lender collateral, instead of the dealer's, is the focal point and primary purpose."

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Strong business for financial service firm

At Beacon Marine, lending activity picked up significantly in September and continues to be very strong, according to president John Redmond. In the Northeast (CT & RI) they are experiencing increased purchase activity in both sail and motor yachts with an average loan amount of \$138,000. In Southern California loan volume in yacht purchases over \$500,000 is up slightly. Also seen is recent activity in both Seattle and Southern California for purchase transactions in the seven-figure range. Ft. Lauderdale is seeing increased purchase activity since the boat show in motor yachts with an average loan amount of \$280,000. Additionally, all markets have seen an increase in refinance business. With the exception of Ft. Lauderdale, refinance business is approximately 68 percent of total loan production. This includes Annapolis, MD, which is a new territory for Beacon. Ft. Lauderdale is experiencing a higher level of purchase activity and it currently represents 65 percent of their total monthly loan production.

"Overall, consumers seem to be enjoying the lowest interest rates ever to either step up into a new vessel or refinance their existing boat loan," Redmond says. There doesn't seem to be a lot of concern from our client base relative to potential job loss or further economic weakening. "The most common feedback we hear centers around the weak performance of the stock market and the possibility of war, leading me to conclude that consumer confidence, at least among the boating community, is stable to slightly up. Most consumers seem to have converted portions of their investments to cash. We have noticed an increase in down payments and the number of cash transaction taking place as well."

Banks see "flat" business in '03

The general outlook on the marine industry from Eric Telljohann, president of Bank of America Specialty Group is for sales staying relatively flat in 2003. "But there is some encouraging news," he adds. "Low rates have had a positive effect and consumer demand may be bouncing back -- the traffic at Fort Lauderdale and other recent shows was certainly a good sign. As always, strong dealers will continue to grow by taking an increasing share of the business during times of slower growth."

Agreeing with Bank of America's assessment, National City Bank's Jim Coburn feels new sales will remain relatively flat in 2003. "But that's not all entirely bad news," he adds. "Rates should remain relatively low in 2003 with only a slight uptick projected by most economists by mid-year. The best, most experienced dealerships are poised for market changes and many in this category will improve their market share. The best dealers are excellent at inventory management. Manufacturers and dealers will continue to improve their marketing efforts and promote boating and the boating lifestyle in addition to focusing exclusively on the boat."

Coburn continues, "The banking industry appears poised to producing outstanding programs for floor plan and retail loans. Boat loans provide great performing portfolios and customers. Banks will be challenged to book more assets like these to make their business plans and satisfy their investors in 2003. NCB is looking forward to another solid performance year in marine finance. We plan to significantly grow our boat loan portfolio and expand our footprint and relationship base."

COBURN TO REP NMBA AT NAMS MEET



Jim Coburn

Members of the National Association of Marine Surveyors (NAMS) will learn how important lenders view collateral value during an upcoming Spring Conference in Chicago. Jim Coburn, immediate past president of NMBA, is on the program Monday April 14 with a presentation titled, "Collateral Value from the Lender's Perspective." He suggests that marine surveyors can be important allies in gaining the correct details and values for both new and used boats that are in the loan process. The NAMS conference runs April 13 to 15, and is open to marine surveyors and related professionals. For details, contact NAMS, P.O. Box 9306, Chesapeake, VA 23321, 757/488-9538, office@nams-cms.org, or visit www.nams-cms.org.



WHITHER INTEREST RATES?

In their mid-December weekly commentary, Wachovia Banks' Economics Group offered a column calling for "Caution on Bonds." "This stage of the business cycle it is often the time that investors have the most difficulty envisioning a world where growth is strong, inflation is rising and the Fed is raising the federal funds rate. Yet each cycle is eventually characterized by exactly that combination of events." The economists suggested that in the next two years, the U.S. will see an increase in Treasury debt supply at the same time that investors start to regain a fascination with equities. The combination of increased bond supply in the face of reduced demand is a prescription for underperformance. Adjustment does not mean disaster, they say, but feel over the next two years it is likely that Treasuries will underperform corporate bonds and equities.

The Wachovia team expects growth to pick up its pace in 2003 compared to this year. For next year the pickup is

to 2.7 percent from 2.3 percent. Meanwhile, the consumer price index is expected to rise to 1.8 percent from 1.3 percent this year. The Federal Reserve is expected to start raising the funds rate back to a "neutral position" by the second half of next year. Finally, the dollar is expected to depreciate relative to the euro and the yen. This depreciation is expected to occur while the current account deficit remains a concern for global investors.

"Our outlook then is for ten-year benchmark rates to rise steadily over the next year," they conclude, "as investors start to discount better economic fundamentals. The recession premium will disappear and the equity market and corporate debt market will begin to be more attractive. This is not a new story. However, it is a story that seems to be given zero probability in a financial market focused on short-term problems rather than long-term opportunities."

E*TRADE BANK ACQUIRES GANIS CREDIT

E*Trade Bank has acquired the consumer finance business Ganis Credit Corporation, a US-based subsidiary of Deutsche Bank AG, in late December for an estimated \$101 million. Advancing its consumer finance business, E*Trade Financial is adding recreation vehicle, marine and motorsport loans, to its existing suite of consumer lending products which already include mortgages, auto loans and home equity loans. "We are pleased that the loan portfolio acquired has been predominantly made to borrowers who

are statistically similar to our existing consumer lending base, and who are most receptive to the types of high value products offered through E*Trade Financial," said Arlen Gelbard, president, E*TRADE Bank. "By originating, funding and servicing recreational vehicle, marine and motorsport loans, we are creating another strong cross-selling opportunity to further deepen and expand our overall financial relationships with customer households."

NORTH FORK BUYS FIRST NEW ENGLAND

North Fork Bancorporation in late November acquired First New England Financial of Fort Lauderdale, FL. Long-time southeast regional manager for FNE, Tony DiPinto, has been named president of the subsidiary. According to DiPinto, FNE was privately owned when established in 1976, but has had five owners prior to North Fork in the past 12 years. In the late eighties, the company was sold to Amerifirst Bank in Miami. Subsequently the company was sold to General Electric Capital in 1990 that sold it to John Deere Credit in 1996. Deere sold the company to Republic Security Bank in 1999. RSB was sold to Wachovia Bank in 2001 and became FNE's new parent. So, he says, "The tradition continues. Not only do we have competitive rates with terms up to 20 years, but we are now part of North Fork

Bank which ranks among the best performing bank in America."

Joining forces with North Fork, FNEF has the ability to finance loans up to \$15MM. The Fort Lauderdale staff has over 95 years combined yacht financing experience and has financed in excess of one billion dollars in yacht loans. North Fork, based in Melville, NY with total assets of approximately \$20 billion, mainly operates through 170 branch locations throughout the New York Metropolitan area. Notes DiPinto, "Northfork was one of the original bidders for the company four years ago. Ironically, the new FNE has just signed a long term lease with the Bahia Mar Hotel and Marina in Ft. Lauderdale which was the company's first location in Ft. Lauderdale 26 years ago." For more information, contact DiPinto at 954-763-1089.



KEYBANK ADDS MARINE MANUFACTURERS UNIT

The Key Recreation Lending Division of KeyBank USA has announced formation of a new division catering to marine manufacturers. Key Recreation Lending CEO Kenneth R. Landon said the division will offer a range of banking services needed by marine manufacturer clients – from credit facilities to 401k plans to deposit plans and international letters of credit. “This completes the loop for Key Recreation Lending, because we now offer the entire

spectrum of marine financial services to customers at the retail level, the dealer level, and the manufacturer level,” said Landon. The Manufacturers Division includes a team of marine finance specialists with a thorough understanding of the specific needs of manufacturers. The team is headed by Kevin von Busch, senior vice president and national commercial manager.

VERTISOL BREAKS INTO TWO UNITS

Larry Reagan, president of marine lender Vertisol, Inc., said the company was planning to undergo a reverse merger by the end of November to spin off its technology business to a separate enterprise. The new company will be called MarineTrak, Inc. after its flagship product, the MarineTrak Professional System, a proprietary client tracking and loan processing system for marine dealers and financial services firms that is delivered over the internet. MarineTrak allows users to manage their credit, document preparation, funding and related finance processes in a web-based network. An additional web service called MarineDocs.com, used by financial institutions to provide on-line loan contract fulfillment to their marine dealers, will also be spun off to MarineTrak. Subsequent to the restructuring, Vertisol, Inc. will trade under the name JustBoatLoans, remaining an Annapolis, MD based marine finance company serving dealers and yacht brokers throughout the U.S. The company was started in April,

2001 by Reagan and John Schneider, both industry veterans who earlier owned and managed nationwide marine lender National Horizon, Inc.

Reagan said, “While these two business models have successfully coexisted for the last eighteen months, they are sufficiently different in scope and resource requirements that we feel they now can and should be operated as independent businesses.” Schneider was named President of MarineTrak, which expects to move to new offices in Crofton, MD, while continuing to serve existing licensees of its loan and customer management solutions. Schneider said, “The decision to create a pure-technology play was at least partially born of a concern that potential customers of the MarineTrak Professional System did not want an IT business that was also involved in marine lending. We understand and respect that position.” Vertisol can be reached at 410/ 263-6032 or www.justboatloans.com; MarineTrak, Inc., 410-721-5800 or www.marinetrak.com.

NEW BOAT SALES TO DROP 4.5% IN '02

Total new boat unit sales are expected to decline four percent in 2002 according to year-end projections released by National Marine Manufacturers Association (NMMA). NMMA bases its projections on data from the recently released Statistical Survey Inc.'s 2nd quarter new power boat sales and its own wholesale shipment and outboard engine warranty card information.

While overall new boat unit sales are expected to be down compared to 2001, not all segments of the industry will report a decline. Outboard boats, the segment many in the industry designate as the entry level for newcomers to boating, is expected to increase three percent, led by a six percent increase in aluminum outboard boats. Increased sales of new outboard motors (one percent) and new boat trailers (three percent) provide further evidence of a rebound in the outboard segment.

Inboard cruisers will not fare as well as the outboard segment, and will record their first decline since 1996 in unit sales (11 percent). Inboard ski/wakeboard boats sales are projected to drop seven percent, while sterndrive boat sales are expected to decline five percent. Personal watercraft and jet drive boats continue double digit declines; 13 and 18 percent, respectively, and canoes and kayaks are anticipated to drop six percent. NMMA's annual review of the industry, *Boating 2002 - Facts and Figures at a Glance*, has been published and is available at www.nmma.org.

	2001 Sales	2002 Projections	Percent Change
Outboard Boats	217,770	223,424	+2.6%
Sterndrive Boats	71,805	68,007	-5.3%
Inboard Cruisers	10,936	9,699	-11.3%
Total Boats	761,611	727,093	-4.5%

LENDING WORKSHOP GETS GLOWING REVIEWS

NMBA's hands-on, two-day cram course of learning industry basics held at the Annapolis (MD) Loews Hotel in early December received glowing reviews from participants. It was the largest ever, with 33 students, reflecting the value and importance placed on it by members.

Comments from attendees included: "Top ten best-practices list was a great take-home plus," "Speaker's experience was reflected in tips you'd otherwise need to learn from hard experiences," "I'll be taking home a page full of ideas to action in coming months," "Practical examples and 'war stories' cut to the core of what's needed to know."

Said workshop organizer Robin Cottmeyer of Offshore Financial, "Our program is targeted toward improving the skills of those folks involved in the industry on a daily basis as well as introducing the specialized nature of lending, marketing and collection techniques to people new to the marine finance field." This year's mix was a great cross-section of attendees, she noted, including banks, service com-



Workshop organizer Robin Cottmeyer (c.) with instructors Jim Meere (l.) and Jim Coburn.



Admiralty attorney Steve Taitz (l.) with Ted Kennedy of debis Financial.



Attendees at the 2002 Lending Conference

panies, and industry associates (remarketers and dealers). But the majority were members sending their staffs for training: sales reps, admin folks, credit underwriters, collectors and senior management.

"No matter what the experience level of the attendee was, everyone took home information that they weren't previously aware of," Cottmeyer said. Sales and administrative personnel benefited from the "big picture" but more specifically, additional knowledge on the differences between marine insurance types, why boats are documented and credit packaging skills. People with collection and/or credit experience learned why practices in the marine industry differ from other loan types.

Topics and instructors included an Industry Overview (Cottmeyer), marketing (NMBA immediate past president Jim Coburn), Insurance (Mike Smith of Global Marine Insurance), Lien Perfection/Registration (Cottmeyer and Liz Childs of Atlantic Boat Documentation), Credit (Cottmeyer), Collateral Valuation (Coburn), Collections (Jim Meere of debis Financial), Repossessions (attorney Steve Taitz of Roe Wallace Esteve Taroff & Taitz), and Remarketing/Liquidation (Meere and Taitz). In addition to the classroom instruction, all participants took home the extensive Marine Lending Workbook that provides additional detail on these subjects as well as numerous handouts outlining key practices in marine lending.

Industry associates that sponsored the event included National Liquidators, American Yacht Recovery, Marina Mile, Peter Kehoe & Associates, Lab Marine,

continued on next page



and Atlantic Boat Documentation. "Next year's Workshop is already in the planning stage," Cottmeyer points out.

"We always schedule it in early December, so put it on your calendars now."



Instructor Mike Smith (c.) provides secrets of marine insurance to the Russo Marine Finance Team that attended the workshop en masse.



Attendees at the 2002 Lending Conference in Annapolis, MD

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bankers association**

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