

THE BUSINESS OF PLEASURE BOATS

NMBA PRESIDENT'S MESSAGE



Time has flown by quickly since our 25th annual conference in San Diego and, as predicted, it has been a challenging six months for the marine finance industry. Coming out of the September hurricanes in Florida, loan volume has been very thin; right up to the Miami boat show in February. Since then volume has picked up considerably, so there may be a little light at the end of the tunnel.

NMBA was an early contributor to the Grow Boating initiative donating \$10,000. Many of our members have made generous donations totaling in excess of \$180,000. I gave a presentation on behalf of NMBA at the Grow Boating event at the Miami Boat Show. I would strongly encourage those of you who have not yet contributed to reach into your pockets and support this worthwhile industry initiative. I have never seen the marine industry come together so much behind such an initiative. All of us who make our living by financing boats benefit from a growing marine industry!

We had an outstanding marine lending workshop in early December, which was our largest and best to date. This was my first year instructing and it has been a few years since I last attended as a student (1987 – Yikes!) Needless to

say, the workshop has come a long way in the intervening years and I was really proud of what a great value it represents for the participants.

As you will read in this issue of the newsletter, we have picked Nashville, TN for this year's annual conference. We will be staying at the Gaylord Opryland Hotel in September, a sister property of the Gaylord we stayed at in Orlando, Florida in 2003 and I'm told it's sure to please. Golf will be virtually on-site this year, which will eliminate travel hassles.

The NMBA Board of Directors met recently in Phoenix, Arizona on March 5th for their annual spring board meeting. We picked the site on the belief that being in a desert it would be hot and dry. It was neither. We did, however, put together a great agenda for this year's conference that should be both fun and informative.

We have also completed the annual survey and it should be published in the next few weeks. Keep a lookout for your questionnaire for the 2004 data soon.

As always please let me know how I can make your Association more valuable.

Don Parkhurst, President NMBA

TWO NEW DIRECTORS JOIN MARINE BANKERS BOARD

Financial service and insurance entrepreneurs seated at recent meeting

Founders of two companies that serve the recreational boating industry and consumers joined the Board of Directors of the National Marine Bankers Association (NMBA) late last year. Karen Trostle, president of Sterling Acceptance Corp. of Edgewater, MD was elected by the membership in mid-November and Mike Smith, president of Global Marine Insurance of Traverse City, MI was appointed to fill the Board vacancy of Mark Beecher of Essex Credit who recently left the marine lending field. Term for directors is three years.

NMBA's slate of officers was reelected by board action to one-year terms. They include President Don Parkhurst,



Smith



Trostle

Senior Vice President of SunTrust Bank in Fairfax, VA, Vice President Jim Meere, Treasurer Jim Coburn (who was also elected to a three-year term as a director) of National City Bank of Detroit, and Secretary Nikki Tompkins of Wachovia Bank, Winston-Salem, NC. Peggy Bodenreider, Vice President of Manufacturer Relations for Ganis Credit Corp., Costa Mesa, CA continues as Immediate Past President.

Trostle formed Sterling Acceptance as a financial service company in 1987. It has four marine/RV production offices on the East Coast specializing in loans in excess of

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\$100,000. Earlier she was a Vice President for Maryland National Bank for over 15 years responsible for 12 marine loan sales offices nationwide. In addition, Trostle worked in the floor planning department, credit card and other consumer loan areas.

Smith is co-founder of Global Marine Insurance that has been in operation since 1988 and pioneered web-based insurance services to the boating community. He has been in the marine insurance field for 29 years providing commercial coverage for businesses and policies for owners of personal watercraft to superyachts. Smith is a frequent

speaker before insurance and marine trade groups and a regular instructor at NMBA's annual Marine Lending Workshops.

Continuing NMBA directors include Bill Otto of KeyBank USA of Grand Rapids, MI, Michael Bryant of Trident Funding Corp. in Newport Beach, CA, Jacqueline Forese of Forest Green Associates of Islandia, NY and Don Mattocks of Primus/Ford Credit of Franklin, TN. Three seats on the Board will be up for election this coming November

COMMITTEE CHAIRS APPOINTED; VOLUNTEERS SOUGHT

In concert with the recent NMBA elections, president Don Parkhurst announced the Chairs of the standing association Committees, as follows:

Promotions and Communications

Karen Trostle

Finance Committee

Jim Coburn

Legislative Committee

Jim Coburn

Membership Committee

Nikki Tompkins

Conference Committee

Peggy Bodenreider

Education Committee

Robin Cottmeyer

Nominating Committee

Don Parkhurst

(in his role as President)

Award Committee Subcommittee of Finance Committee

Bill Otto

NMBA members and others with interest in the work of the committees are encouraged to contact the chairpersons to receive more information. Most meetings are held by teleconference and communications maintained by email. Contact the chairs directly, or through Bernice McArdle, Association Manager, at bmcardle@nmma.org.

MARINE LENDERS BANKING ON GROW BOATING INITIATIVE

NMBA has contributed \$10,000 to the Grow Boating Initiative Start Up Fund and formed a task force to determine how lenders can financially support the campaign on an ongoing basis. "We wanted to be one of the first to donate to the campaign for two key reasons: First, because we believe growing boating will grow the marine loan and related service businesses; and second, we wanted to encourage other non-manufacturing groups to support the initiative," says NMBA president Don Parkhurst. "We need to present a consistent and ongoing message of boating's benefits to attract a growing number of new participants year after year."

The contribution is part of the \$2 million Start Up Fund that is paying for the creative development and pro-



duction of the marketing campaign that will launch this year. The final marketing campaign was introduced at a special All-Industry Meeting at the Miami International Boat Show in mid-February at the Miami Boat Show. There, Parkhurst told the audience how NMBA was planning to contribute to the long-term annual funding for the campaign.

The Grow Boating Initiative is a cooperative effort among leaders in the recreational boating industry to increase participation in boating by actively promoting the boating lifestyle to the public, improving product quality and industry statistics. For information on contributing to the Grow Boating fund, or to contribute online, visit the Grow Boating website at www.growboating.org.



ANNUAL MARINE LENDING CONFERENCE DATES

Now in its twenty-sixth year, NMBA's Marine Lending Conference will headquarter in Nashville at the Gaylord Opryland Resort & Convention Center September 11 - 13. The event is the annual meeting place for those involved in the marine finance and related service industries. It brings a balanced agenda of industry speakers, business sessions which address the latest issues affecting the lending market,

now attracts a contingent of 90 or so friendly (and competitive) duffers. It will be held at the resort's Springhouse Links, carved from the banks of the Cumberland River. Designed by former U.S. Open and PGA champion Larry Nelson, the Scottish links-style, par 72 layout offers 18 challenging holes bordered by limestone bluffs and enhanced by federally protected wetlands.



interactive discussions on current marine finance topics, and the opportunity to network with industry colleagues.

Business sessions are in the planning stages, though the mix this year is expected to include:

- An overview of the marine industry's Grow Boating Initiative and how members and allies can piggyback on the promotional efforts underway;
- An industry forecast by a noted economist;
- A motivational speaker;
- And "breakout sessions" for those in specialty marine lending areas as well as attendees in service businesses that support lenders.

Also featured is NMBA's Ninth Golf Tournament that

Early booking with the resort is recommended. Room rates have been secured at Gaylord Opryland Resort & Convention Center for \$179 per night. Visit their website (www.gaylordhotels.com/gaylordopryland) for a sneak preview of this beautiful facility — guest rooms and meetings will all be in the Magnolia section of the resort. Call 615/871-5800 and mention the NMBA conference to receive the preferred lodging rate.

Sponsors, exhibitors and advertisers (in the program directory that becomes a useful resource for finding lenders, finance products and services) are an integral part of the conference. Those interested in learning more about these opportunities should contact Bernice McArdle at 312/946-6260 or by e-mail at bmcardle@nmma.org.

BOATU.S. REMINDS BOAT LOANS ARE DEDUCTIBLE

In time for tax preparation season, the Boat Owners Association of The United States (BoatU.S.) is reminding its 580,000 members and other boaters (and the media) that vessels meeting the criteria for a second home may qualify for an Internal Revenue Service (IRS) deduction. "For tax purposes, many boats qualify as second homes just like land-based vacation condos and mobile homes," said Elaine Dickinson of BoatU.S. Government Affairs. "If you have a secured loan on that vessel and it meets the criteria of a second home, the IRS allows the interest paid on the loan to be deducted."

The IRS defines a second home as having "basic living accommodations such as sleeping space, toilet and cooking

facilities." A secured loan is one where a lending institution holds the boat as collateral for the loan.

Interest paid on the qualified loan should be reported on the federal income tax return Form 1040, Schedule A, Itemized Deductions. Boat owners who receive a 1098 form from their lender should enter the amount of interest paid on line 10. If they did not receive a 1098 form, they should enter the amount on line 11 and provide the lender's name, address and tax identification number. For more specific tax information, boat owners should consult their own financial or tax advisors or visit the IRS Web site at www.irs.gov. IRS Publication 936 also covers rules for interest deductions.

LENDERS FACE BACKLASH FROM HURRICANES

Rising Insurance Policy Deductibles Impacting Loan Contracts

As major boat insurance underwriters raise their deductible amounts for policyholders in response to losses from last summer's hurricanes, marine lenders have been alerted by NMBA that they will also need to adjust these amounts in their boat loan contracts. In a press release distributed in December '04, NMBA advised members to have legal counsel review contract details then contact borrowers if language needs to be changed. In cases where action is necessary but not taken, the boat loans go into technical default.

"This is a significant issue for lenders doing business in all of the states that were affected by the recent Hurricanes," says NMBA President Don Parkhurst. Two major insurance underwriters have announced that on new and renewal marine insurance policies they increased from the common 2% to as high as 5% named storm deductibles beginning January 1, 2005. Other insurers are expected to follow. The problem, Parkhurst points out, is that "Many banks have a 2% insurance deductible maximum in their notes. So, banks will need to begin the process at once to update this provision and service companies will need to reprogram details of their documentation preparation systems." He adds that he expects the legal departments of banks to recommend notifying existing customers of the change.

"Named storm" deductibles have been in place since Hurricane Andrew in 1992. According to NMBA Director Mike Smith of Global Marine Insurance, "All of the companies that write business in Florida have or are reviewing their rates and deductibles after the worst boat insurance disaster in history. The good news to date is that only one underwriter, Allstate, has pulled out but is considering opening back up sometime this year. Right now it appears the industry survived the worst without losing much capacity. However, all Florida companies buy catastrophic insurance at Lloyds with contract negotiations going on. If the reinsurers change the rules, that could impact insurance availability."

Lenders are also being cautioned about insurance coverage for boats with absentee owners. Boats that were not attended to and prepared for the storms received the most damage. It was difficult to find companies to insure these boats prior to the storms and availability is expected to tighten. Complicating the picture is legislation proposed by the marina industry in Florida that would earmark boat insurance for dock damage. This would further the impact the ability of lenders to recover damages on their boating collateral and require additional changes to contract language regarding insurance deductibles.

KEYBANK SURVEY SHOWS AFFLUENT INTENTIONS

A survey released during last fall's Ft. Lauderdale International Boat Show indicated 37 percent of affluent Americans say they either own a boat or want one and they're thinking big about their dream boats. The number of affluent Americans who own a boat (14 percent) is three times higher than the national average of 4.4 percent. "The results of our first national boating survey indicate some real opportunities for dealers, lenders and manufacturers," said Ken Landon, CEO of Key Recreation Lending and executive vice president of KeyCorp. "Results from the special boating survey reveal that affluent Americans are more likely to be boating enthusiasts and to continue the trend of luxury spending despite plans to reduce personal investments due to concerns about the national economy." The survey was conducted in conjunction with the McDonald Financial Group Affluent Consumer Confidence Index. McDonald Financial Group is a part of KeyCorp.

Results indicate positive marine buying trends among the affluent, as a higher percentage of them (23 percent) are interested in owning a boat in the future than those who already own a boat (14 percent). In addition, about 10 percent of affluent Americans plan to buy a new boat in the next three years. When asked the question, "If money were no object, what type of boat would you purchase?" most affluent Americans -- who do not yet own a boat -- chose a motor yacht or cabin cruiser. About 55 percent chose this category, while 20 percent preferred a sailboat, 14 percent picked a fishing boat and 11 percent selected a runabout or ski boat. Among those affluent individuals who plan to buy a boat, as many as 26 percent expect to pay over \$100,000 and another 15 percent say they will spend over \$75,000 on their next boat purchase.

LENDING WORKSHOP HAS RECORD ATTENDANCE

The Ft. Lauderdale Marina Marriott was the location for NMBA's 12th Marine Lending Workshop where 46 attendees -- a record -- eagerly participated in classes designed for the marine lending professional. Robin Cottmeyer, NMBA's Workshop Coordinator and a past NMBA President felt this was the most successful session to date. "Turnout was excellent" said Cottmeyer of the December 5-7 event. "No matter what the experience level of the attendee was, everyone took home information that they weren't previously aware of."

The 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 cross-section of attendees, including banks, service companies, and industry associates (remarketers and dealers). Studies covered everything from an overview of the marine market to modules on marketing techniques, insurance, registration and lien perfection, credit underwriting, collateral evaluation, collection, and recovery methods. Taught by seasoned maritime professionals, the days were packed with information and interaction between instructors and students, while the evening events (such as the sponsored cruise up the Intercoastal Waterway aboard the yacht "Eastern Star"), were perfect networking opportunities.

Instructors included Peggy Bodenreider, E*TRADE Consumer Finance; Jim Coburn, National City Bank; Robin Cottmeyer, Old Line Bank; Robert McIntosh, Adorno & Yoss; Don Parkhurst, SunTrust Bank, Mike Smith, Global Marine Insurance Agency, and Jim Meere.

Jackie Forese, Forest Green Associates, was the On-Site Coordinator.

NMBA also thanks the following sponsors who helped make the workshop a success: American Yacht Sales and Recovery, LAB Marine, National Liquidators, Northeast Marine Liquidation, Marine Recovery Services, Atlantic Boat Documentation, the law firm of Holland & Knight, Manheim Auctions and Peter Kehoe and Associates. Next year's workshop is planned for December 4 - 6 dates and registration is currently open. Contact Sheila Glover at (312) 946-6278 or via email sglover@nmma.org to add names and secure space for the '05 workshop.



Jim Coburn, Workshop Instructor, shares a few words with sponsors Bob Toney, National Liquidators and Bob Parks, American Yacht Sales & Recovery at the 2004 Workshop.

NMBA NEWS CORNER

THE BUSINESS OF PLEASURE BOATS GOES ELECTRONIC:

Beginning with our July issue, "The Business of Pleasure Boats" will be transmitted electronically. If you have not already forwarded your e-mail address to us, please send this to Sheila Glover (sglover@nmma.org) to ensure that your name is on our online distribution list. The newsletter will also be available on our website via a PDF link (www.marinebankers.org)

ATTENTION NMBA MEMBERS..... HAVE YOU REGISTERED ON THE MEMBERS' ONLY WEBSITE YET?

If you have not already registered on the members' only section of our website, you could be missing potential business opportunities from online visitors!

Please log on using your personal username and password (already forwarded to you), and enter the appropriate contact names and details for your organization. For assistance, please contact Sheila Glover (312) 946-6278.

BOAT REGISTRATIONS: CALIFORNIA NOW NUMBER ONE STATE

Michigan, Florida, Minnesota and Texas round out top five

California led the nation by adding more than 65,000 boats to its registration total in 2003 -- the latest statistics available -- moving up two places to claim the top spot from Michigan, which lost roughly 47,000 from its fleet in the same year. The top 20 boating states accounted for three out of every four of the nearly 12.8 million boats registered in the U.S. in 2003, according to National Marine Manufacturers Association's (NMMA) 2003 U.S. Recreational Boat Registration Statistics Report released recently. NMMA uses registration data supplied to the US Coast Guard by the states to develop the registration statistics report.

The top five states, in terms of registered boats in 2003 were: California 963,379, Michigan 953,554, Florida 939,968, Minnesota 845,279, and Texas 619,088. The South Atlantic region (DE, D.C., FL, GA, MD, NC, SC, VA, WV) is now number one, with 2.558 million boats registered, a 1.0 percent increase compared to 2002. In the former top Eastern North Central region (IL, IN, MI, OH, WI), registered boats fell 3.6 percent to 2.554 million. Three additional regions experienced significant decreases in regis-

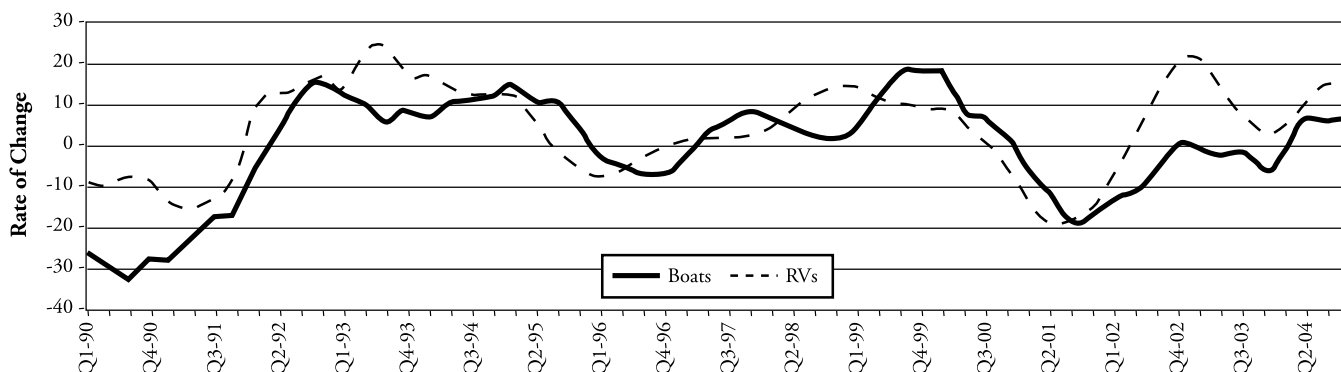
trations during 2003, while one showed a strong increase:

- Pacific (AK, CA, HI, OR, WA) up 5.3 percent
- New England (CT, ME, MA, NH, RI, VT) down 4.5 percent
- Western South Central (AR, LA, OK, TX) down 4.0 percent
- Mountain (AZ, CO, ID, MT, NV, NM, UT, WY) down 1.2 percent

"These decreases reflect the state of the industry in 2003.

Factoring in the decline in unit boat sales that year and the number of boats retiring from the fleet, a decrease in the number of registered boats was expected," says NMMA Market Research director Jim Petru. The 2003 U.S. Recreational Boat Registration Statistics report costs \$60 for NMMA members, \$150 for nonmembers, and can be ordered by contacting the NMMA fulfillment department at 312/946-6200. For more information contact Petru at jpetru@nmma.org.

Wholesale Shipments Rolling 12 Month Rate of Change



BOATS* vs RV'S Q1 1990-Q2 2004

For the past twelve years (except the early nineties when boating was affected by the luxury tax), trends in RV and recreational boat shipments have been directly correlated. RV sales continue to surge ahead as wholesale shipments gained 21% in the second quarter of 2004, setting a record quarter-century high. RVIA forecasted total shipments to rise 13% by year's end (2004) to 361,200 units, besting the record set in 1978. Growth is expected to continue in 2005 but at a more moderate pace, due to climbing interest rates and sluggish growth in disposable income and employment.

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Pleasure Boats

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