

THE BUSINESS OF PLEASURE BOATS

PRESIDENT'S MESSAGE



The marine industry has been struggling for years with declining numbers of boaters and the difficulty of attracting new families to boating. The reasons for the downturn vary based on who you speak with: boating has become too expensive, customers receive poor service from the dealer, the boat or engine manufacturers don't stand behind their product, bad weather, no rain, families are too busy, golf. Whatever the excuse, it doesn't mitigate the problem. And it is a huge problem.

Discover Boating and Discover Sailing have worked hard to promote the boating lifestyle as one that enhances family values, is lots of fun, and very affordable. Water Works Wonders takes on the "carpe diem" theme – time is slipping away so take your child boating before it's too late. These are fine campaigns, but they are not doing enough.

One of our members, Transamerica Distribution Finance, says its time to do more and Richard Strickler, Transamerica Senior Vice President, is organizing a forum of marine industry trade associations and participants to get serious about how we are going to turn the boating market around. There has not been enough unification in the marine industry to come to consensus on how to best address the concern. But there are plenty of talented, creative and innovative people in this business that can

contribute to finding a solution.

This shortage of boaters impacts each and every one of us. Many of our members are business owners, whose future may be shorter than they'd like to think about if this problem does not get resolved. Many of our members work for large banks and lending institutions with a variety of financial services available to consumers. As the market continues to shrink, the marine divisions within these companies may find themselves downsized or phased out.

In the 20+ years I've experienced five ownership changes by my employers (many of you can relate), and each one comes with its share of anxiety. I think we all want a stable future. A future, period, is a pleasant thought.

As an association, we need to think about our contribution to this industry – how can we help bring more people into boating? How can we help keep boaters interested in the lifestyle? How can we help dealers and brokers maintain stability, and even grow, as we work through this? How can we enhance the buying experience and keep them coming back? How can *you* make a difference?

Think about this and share with me your ideas. Richard is planning a forum in October and I want our voice to be heard. Give me a call – I'd love to talk with you – 714/481-8870 or email me at peggy.bodenreider@etrade.com. We can help!

Peggy Bodenreider, NMBA President

SEA RAY'S TRUDELL TO KEYNOTE MARINE LENDING CONFERENCE

Cynthia Trudell – the first woman in America to run a major U.S. auto company – and president of Knoxville-based Sea Ray Boats since April 2001, will keynote the National Marine Bankers Association's (NMBA) annual Lending Conference this September in Orlando. Nationally known for her attention to technical expertise, product quality, and the ability to cut costs while keeping customer service a top priority, Trudell joined Sea Ray after serving as president of Saturn automobiles where she was responsible for its strategic direction, introducing new models, and adding manufacturing operations. A Canadian, Trudell spent 20 years at General Motors with assignments in the U.S., Canada, and the U.K.

NMBA Conference planners have asked Trudell to address several areas of interest for lenders and related

service providers. What is Sea Ray's expectation of market conditions for boating in the near term and future and how is it positioning to respond to these forecasts? Does she feel there is a disconnect between boat manufacturers' production goals and actual new product boat sales? How does Sea Ray attract new prospects and owners to boating? And does she have concern over what appears to be owners' diminishing equity in boats bought and financed? The keynote session takes place Tuesday morning, September 23.



continued on next page



MORE TOP SPEAKERS, BUSINESS SESSIONS

Additional speakers highlighting the conference

- Executive leader and internationally acclaimed speaker **Valerie Oberle** draws on a 26-year career with the Disney organization in Guest Relations, Theme Park Operations, Resort Management, and Human Resources to address key leadership roles. For more than a decade she was Vice President of the world-renowned Disney University and a driving force behind the highly successful Disney Business Seminars, the organization that provides Professional



Development Programs to business professionals around the globe. Oberle will share her extensive experience in: operations and people management; selection and hiring; training and communication initiatives; motivation and retention; leadership development; quality customer service processes; and creating a culture of excellence.

- **Richard J. DeKaser**, Senior Vice President and Chief Economist at National City Corp., provides analysis to senior management, business leaders, and clients of the bank. His responsibilities include risk management, economic forecasting and financial market analysis that he will share

with conference attendees. Responsible for the the bank's economic and interest rate forecasts and related research, his latest forecast predicts a strong second-half acceleration. For the second half as a whole, DeKaser says real GDP growth is expected to proceed between a 4% and 4.5% pace. DeKaser also authors two periodicals: the *Financial Market Outlook*, a monthly commentary on timely economic issues, and the *Monthly Economic Review*, an update on economic developments, including the corporation's macroeconomic and interest rate forecasts.



Additional Business Sessions bringing topics of current interest to lenders and related service firms will be:

- A U.S. Coast Guard issues panel to advise of changes in documentation, lien recordation efforts and homeland security focus;
- Overview and details of NMBA's and the industry's new Recreational Marine Research and business forecasting efforts;
- And "Ask the Experts" review of floorplan, insurance and marina finance topics.

PLUS NETWORKING, GOLF & DISNEYVILLE

Celebrating its twenty-fourth year, the Conference will headquarter at the Gaylord Palms Resort & Convention Center. What



has become an important social feature of the event, NMBA's Seventh Golf Tournament takes place Tuesday afternoon. A contingent of 70 or so friendly (and competitive) duffers will take on the nearby Falcon's Fire golf course. An awards dinner that evening will recognize some of the best — and inspired — play of the day.

Conference registration forms are being mailed in early August and will also be posted at www.marinebankers.org. Those interested in Conference sponsorship or advertis-

ing opportunities should contact Bernice McArdle at 312/946-6260 or by e-mail at bmcardle@nmma.org.

Where to Stay for the Conference

Although Gaylord reports it has "sold out" sleeping rooms for the dates of the NMBA Conference, arrangements have been made to accommodate those planning to attend. The nearby Wyndham Resort & Spa, located on Disney property, is 10 minutes from the Gaylord. The Wyndham is a superb four-star hotel, with terrific amenities, and just a five minute walk from the Disney Village. A discounted rate of \$145 per night (single or double), and a reduced resort fee of \$4 per night has been negotiated (and will be in effect for three days either side of the conference). NMBA will run a shuttle bus to and from the Gaylord each day. Call 407/827-2727 (or 1-800-996-3426) to make your reservations, and reference the NMBA.

AIRFARES TO ORLANDO ARE AT AN ALL-TIME LOW! BOOK NOW!



NMBA LAUNCHES NEW & IMPROVED WEBSITE

NMBA has launched its new website at www.marinebankers.org. Designers have made it much easier to navigate without the need to enter a "members only" section for the latest news. There's new copy and sections such as News & Promotion that has a summary of the Annual Report, details on the upcoming conference and the 2003 workshop. NMBA Newsletters are also located in this section, along with "More Boat Less Monthly" or "If You're Paying Cash You're Paying Too Much" promotional brochures and related items that stress the affordability of buying via financing. "We think it's much more consumer-friendly and eye-catching, plus industry associates can now visit the site and find useful information there about marine lending issues and the NMBA," says Peggy Bodenreider, NMBA president.

Members of NMBA have updated their contact information in a database used by consumers and the trade to find retail and wholesale/commercial lenders, respectively. Additional enhancements are planned for the future. Links or reprints of articles for consumers on how to buy boats and borrow

wisely will be highlighted as will tips of the trade for marine manufacturers and retailers. Lenders and others who wish to recommend information for inclusion on the site are asked to contact Bodenreider at 714/481-8870, peggy.bodenreider@db.com.



LAW NETWORK UPDATED

Admiralty attorneys actively working with NMBA members and other service providers are identified in the recently updated Recreational Boating and Marine Lending Law Network. According to network coordinator Jim Stewart of Butzel Long, "The attorneys are generally called on for complicated loan transactions, secured financing issues, foreclosures and collections, disputes with service providers, salvage issues, document review and litigation." NMBA members also find the network a useful resource when they need to take an action, seek advice or a recommendation for a service provider in markets where they do not have an office. The latest list of firms include:

Adams & Reese, LLP, New Orleans, LA, Phillip A. Franco
Adorno & Yoss, Fort Lauderdale, FL, Robert D. McIntosh
Arnold & Burguières, St. Petersburg, FL, Robert E. Burguières

Bohonnon Law Firm, LLC., New Haven, CT, David M. Bohonnon

Buist, Moore, Smythe & McGee, P.A., Charleston, SC, Julius H. (Sam) Hines

Butzel Long, Detroit, MI, C. Peter Theut

Butzel Long, Bloomfield Hills, MI, James Y. Stewart

Cox, Wooton, Griffin, Hansen & Poulis, San Francisco, CA, Rupert P. Hansen

Garvey, Schubert & Barer, Seattle, WA, Bruce A. King
Gorman & Williams, Baltimore, MD, Charles L. Simmons, Jr.
Herrick, Peter S., Miami, FL, Peter S. Herrick
Holland & Knight, LLP, Miami, FL, Michael T. Moore
Holland & Knight, Orlando, FL, Mark J. Buhler
Ober, Kaler, Grimes & Shriver, Baltimore, MD, Donald C. Greenman

Palmer, Biezup & Henderson, Philadelphia, PA, Michael B. McCauley

Phelps Dunbar, L.L.P., New Orleans, LA, James H. Roussel
Robinson & Cole, Stamford, CT, Gregory J. Ligelis
Roe Wallace Esteve et al, Patchogue, NY, Steve Taitz
Russell & Associates, Newport Beach, CA, Thomas A. Russell

The complete listing, including primary contact, other attorneys available, office location and contact numbers, emails, etc. and a similar list by state, is being mailed to NMBA members. Others may request information by contacting Stewart at 248/258-7859, stewartjy@butzel.com or Bernice McArdele at 312/946-6260, bmcardle@nmma.org.

MARK YOUR CALENDARS 2003 MARINE LENDING WORKSHOP

This workshop is a must attend event for marine finance professionals engaged in direct and indirect retail lending, collections, and loan origination. The comprehensive two-day program is specifically designed for those entering or specializing in this unique branch of consumer lending.

DECEMBER 7th - 9th • MARINA MARRIOTT, FORT LAUDERDALE • \$99 ROOM RATES



2002 ANNUAL LENDING REPORT ISSUED

In the introduction to NMBA's latest Annual Report, president Peggy Bodenredier points out that 2001 was not a banner year for boating. The number of Americans participating in recreational boating was down nearly 4% from 2000, as reported by the National Marine Manufacturers Association (NMMA) and the number of units sold overall was down 4.8% from the prior year. However, as the Federal Reserve Board responded to slowing economic conditions by decreasing the Federal Funds Rate 11 times throughout 2001, it spurred a refinance boom unlike any the marine lending industry had seen. For many direct lenders the refinance market filled a large void left by the lack of purchase money transactions.

Some noteworthy results from this year's survey include:

- Increase in used boat loan activity — most likely a result of the refinance boom
- Delinquency and charge-offs up — unemployment jumped from 6.4% in January 2001 to 7.3% by year end as economy continued to lag
- Average loan size under \$25,000 fell while average loan size over \$25,000 nearly doubled — again most likely a result of the refinance boom

- Dramatic shift in disposal of repossessions — 72% of lenders reported selling themselves, reducing considerably the use of dealers or third party companies to sell
- Yields dropped but not nearly as much as could have been expected given frequency of Federal Funds rate decreases.
- Large increase in floorplan delinquency — dealers not only hurt by economic slowdown but also impact of 9/11.

NMBA's 2002 Annual Report, the only one of its kind available, with marine lending statistics for the 2001 calendar year, was provided to members earlier this summer. It is a compilation of data from participating members to provide useful information about trends of the marine and lending industries. Featured statistics include marine delinquencies, charge-offs, terms, turn-overs, average size of loans, borrower demographics, operational practices (e.g., downpayments, collateral value determination, surveys, titling/documentation, etc.) and details on floorplaning. The report is now divided into three sections: a combined report from all participating members; statistics from those members who originate, hold, and service loan portfolios; and similar information from marine loan originators who generally sell their assets. Copies of the report are available for \$295 with order forms found at the www.marinebankers.org website

SYSTEM SLOWS DOCUMENTATION ABSTRACTS

Many NMBA members have expressed concern with the slowdown of processing Abstracts of Title at the U.S. Coast Guard. Mary Bacon of American Vessel Documentation Association has kept the NMBA board abreast of the problems the Coast Guard has experienced with the new scanning system

and advises corrections are being implemented. NMBA president Peggy Bodenreider forwarded a letter to the Documentation Center expressing concern for lenders and their clients, but offered to assist in communicating any recommendations back to the industry.

NATIONAL CITY EXPANDS RECREATION FINANCE NATIONWIDE

National City Bank announced in early August the nationwide expansion of its recreation finance business to thirty-eight states. Leveraging over fifty years of experience in Marine and Recreational Vehicle financing in the Midwest, the bank is extending its financing options and products to dealers and manufacturers across the U.S. National City Recreation Finance plans to boost annual originations of marine and RV financing significantly in the next five years and has its sights on being the premier finance source in the national marketplace. The team leading the National City Recreation Finance group consists of Greg Jelinek, an executive vice president and manager of Dealer Finance, Alan Zang, senior vice president - general manager and Jim Coburn, senior vice president - manufacturer relationships. Coburn is the immediate past president of NMBA.

"We are pleased to offer our 50-plus years in Marine and

RV finance expertise, dedication to the industry and the best financing options to dealers and manufacturers throughout the United States," said Jelinek. As part of the nationwide expansion, National City Recreation Finance will work closely with customers to develop specialized retail and floorplan financing options for dealers nationwide. In the Dealer Finance group, a specialized Dealer Support Center, an inside sales team and a core underwriting group who are dedicated solely to Marine and RV dealers has been developed. In addition, regional managers will continue to be appointed throughout the national marketplace over the next several months to focus on dealer relationships and to expand the group's presence. Access to product and service offerings is available through a dealer-dedicated website, www.NationalCityRecreationFinance.com.

HOW'S BUSINESS AFTER "WAR" FOR SUMMER OF '03

NMBA members and service providers offer comments on the market

Tony DiPinto, President, First New England Financial, Ft. Lauderdale, FL

"There was so much uncertainty before the war, but once it broke out the phone started ringing and it hasn't stopped!" states Tony DiPinto. Compared to the first four months of 2002, FNE's business in the Southeast is up 29% this year and the pipeline looks good for the next 45 days. DiPinto reports the business is primarily used boats, with 70% being brokerage transactions. Refinance business is still a factor due to low rates, and DiPinto has seen an increase of 10% over the same period last year. There's no specific price range where sales are stronger, but DiPinto did indicate that owner North Fork Bank's appetite for larger loans (in excess of \$5 million) has brought opportunities they weren't considering a year ago.

Brad Ferguson, President, Northeast Marine Liquidation, Inc., Stonington, CT

From the liquidator's perspective, Ferguson has seen sales increase 10% in the first quarter of 2003 and that trend is continuing. The type of boats selling is all across the board, and Ferguson credits the Internet for opening markets that previously were unavailable. "Today buyers come to me very informed about what they want to buy," says Ferguson. "I think people are placing a greater importance on quality of life, which could also be driving sales." Ferguson is concerned with the growing number of scheduled layoffs for blue chip companies in the Northeast, something that hasn't occurred there in many years. He also shared that one lender client reported a 20% increase in customer bankruptcies from March to April of this year. Though Ferguson is seeing no trends in what or why boats are being repossessed, he has seen fewer voluntary repossessions, perhaps an indication borrowers are trying harder to work through their financial difficulties.

Karen Trostle, President, Sterling Acceptance Corp., Edgewater, MD

Deliveries seem to be on target in the Chesapeake Bay area, according to Trostle, with business strong in the \$150,000 to \$250,000 range. Though the number of transactions has dropped, average loan balances are higher, so Trostle has seen her business increase 10% to 12% over last year. "I expect business will pick up over the next 60 days as the economy improves and the war winds down. If rates start to move this fall, that will

spur sales even further." Refinance activity still represents a fair amount of business for Sterling Acceptance, as well as repeats business from long-time clients.

Mike Smith, President, Global Marine Insurance, Traverse City, MI

The year started out strong, with January and February producing well over projections. However, Smith saw March and April activity fall below expectations. "The war impacted my business and dealers in the Midwest considerably," he notes saying 60% of his insurance business is from that area. Since then Global has set records for May, June and through mid-July. "Work to create new programs and referral sources and our web initiatives are really starting to pay off. We are up year over year in the high teens and it does not appear to be slowing down." Smith adds that small to medium size boats are still strong, but he has seen some megayachts close in the last couple of months and that his Florida office is exceeding expectations this summer.

Mary Bacon, AVDA Exec. Director, The Mary Conlin Company, Inc., Newport Beach, CA

Since the beginning of the year, Bacon's firm has been very busy. She is seeing a combination of new and used boat sales, as well as some refinances. "The Iraq war did not seem to affect the flow of our business. However, we have seen an increase since the middle of May, which I attribute more to the approaching summer months," Bacon says. Most of her transactions involve power boats which are 40' and over, many of which are cash purchases.

Donald Parkhurst, Senior Vice President, SunTrust Bank, Fairfax, VA

SunTrust's marine loan volume has been very strong since the beginning of this year, with year-to-date volume well ahead of the same period last year. Purchases have been much stronger than anticipated, yet refinances continue to be a significant source of volume. "We did see a pause in business during tax time and the brief war, but volume is clearly back on track since the late spring and buyer confidence seems to be improving," states Parkhurst. "Sales of larger boats have been stronger than those of smaller boats under 25' and we are not seeing as strong a seasonal fall-off in business as typically occurs after July 4th, probably because the normal buying season was extended due to unusual cold wet weather into the late spring along the east coast."

NEW MARINE CHARTER GROUP

Firms in the marine charter industry have formed a national association to serve as the industry's voice in Washington, DC. The association, called the National Marine Charter Association (NMCA), will tackle legislative and regulatory issues for the industry, work to promote professional industry standards, and provide access to group association benefits. Members come

from all areas of the country and types of charter firms including: fishing, sailing, dive, yacht, nature/eco tours, vessels carrying from 1 to 150 passengers, and industry product and service suppliers. NMCA estimates there are over 40,000 companies in the charter industry. Further information can be found at www.marinecharter.org; 800/745-6094.

BRUNSWICK, KEYBANK OFFER SERVICES FOR BUYERS, DEALERS

The Brunswick Boat Group announced in May the signing of an agreement with KeyBank USA to offer a dedicated financing option to consumers through qualifying Brunswick boat dealers. "This effort will be marketed as Brunswick Financial Services and will be exclusive to participating Brunswick dealers," explained Dustan E. McCoy, president of the Brunswick Boat Group. "It is a natural extension of our efforts to more closely partner with our dealers to ensure that every aspect of purchasing and owning a boat is a simple and pleasant experience, while providing profit opportunities for our dealers." Earlier this year, Brunswick began offering dealers exclusive financing for their wholesale needs through Brunswick Acceptance Company.

"In addition to helping consumers purchase the boat of

their choice through these flexible financing options, Brunswick Financial Services, in cooperation with KeyBank USA, also will offer other services to our dealers to enhance their own operations," McCoy said. "This new channel will allow Brunswick to easily run national financing promotions to drive consumers into their participating dealers," said Kenneth R. Landon, executive vice president of KeyCorp and chief executive officer of Key Recreation Lending. "We are truly proud to have been selected to be a part of Brunswick Financial Services, as we take a giant step towards elevating the boat-buying experience to enhance customer satisfaction." For more information contact Dan Kubera at 847/735-4617.

THE FUTURE OF BOAT INSURANCE

Calling an insurance agent, and then sitting on phone waiting interminably for an insurance quote is about to become a thing of past. Instead, by pulling up a web site, providing some data regarding the boat and its owners, shoppers will get multiple insurance quotes, including terms and restrictions, in a matter of seconds. That's the future as seen today by Global Marine Insurance as it launches a redesigned search engine at www.quotemyboat.com. A boat owner in almost any part of the U.S. will receive three separate quotes instantly with policy information in a PDF format. If the owner is in one of few restricted areas, a message will appear noting the quote will be e-mailed within a few hours.

In the making for over two years, the software is innovative, not to mention expensive, and the backbone of this new concept of quoting insurance. Mike Smith, president of Global Marine, says the site is expected to be fully operational in August and produce a considerable increase in the number quotes to the company. He predicts that within a few years, as much as thirty percent of insurance quotes will be handled through the Internet. Global Marine insures all kinds of vessels, from personal watercraft up to large custom yachts, and also provides commercial insurance. For more information contact Smith at 231/947-9611 ext. 4021.

CREDIT SCORES & INSURANCE RISK GO HAND-IN-HAND

Major insurance trade organizations have released what they said was the largest and the most comprehensive national study demonstrating a strong correlation between credit scores and insurance risk. The study, Introduced in June at the National Association of Insurance Commissioners' summer meeting in New York, was reported on National Underwriter's NU Online News Service. The study, now publicly available at www.epicactuaries.com/publications.htm, did not satisfy some consumer advocates present at the NAIC conference, and its findings will add more fuel to the ongoing debate on credit scoring.

One of the main findings from the study is that insurance

scores--which incorporate consumer credit scores--are highly correlated with the loss propensity. As a general rule, as the insurance score goes up, the loss propensity comes down for auto insurance coverage, such as liability, collision and comprehensive, it said. A spokesman for the NAIC said, "The study says unmistakably that credit scoring is one of the most predictive factors for risk. This study absolutely supports the careful, deliberative public policy approach the vast majority of states have been engaging in." The study shows that credit scoring does not merely pick up something else that's already being measured, and it's not a proxy for anything else, he added.

THE BUSINESS OF

Pleasure Boats

A service of the



**national marine
bankers association**

News items which are germane to the marine financing field will be considered for inclusion in the newsletter. Send information to the address below.

Address changes and subscription requests should also be directed to the address below.

Information contained herein may not be reproduced in any format without proper credit to the National Marine Bankers Association and any other named source within the text in question.

National Marine Bankers Association
200 East Randolph Drive, Suite 5100
Chicago, Illinois 60601-6528
Telephone 312/946-6260/6200
FAX 312/946-0388
www.marinebankers.org

The National Marine Bankers Association welcomes contributed editorial to its newsletter and claims no responsibility for the views, opinions and statements of fact expressed by the authors of these articles.

