

Pleasure Boats

2002 ANNUAL CONFERENCE BIGGEST EVER

BOAT LENDERS PREPARING FOR MORE COMPETITION

Falling loan rates, new firms entering market will challenge in coming year

When marine lenders get together today, discussions center on the profit squeeze that is coming from falling loan rates, rising costs of doing business, protecting privileged customer and institution data, and where the economy and boat business are headed. At the National Marine Bankers Association (NMBA) Annual Conference, August 25 to 27 at Indian Lakes Resort in Chicago, those attending compared notes and gained informed perspective on all of these subjects, and more.

NMBA's annual get-together offers a view of the health of the lending business and new and pre-owned boat sales climate. According to conference chairman Bill Otto of KeyBank, "With 175 people attending, a record number in the 23 years we have held annual conferences, lenders are reporting a generally good calendar year through this summer and are optimistic activity may improve in the next 6 to 12 months as the effects of the recession are left behind." He says colleagues are pointing to an already-strengthening small (under 35-foot) boat market, but worrying about the bigger boats where the million dollar deals have dried up. With loan rates expected to remain at historical lows, however, they see volume growth ahead, perhaps moving more to the new boat side of the ledger.

Addressing the conference, NMBA president Jim Coburn of National City Bank, Detroit, said, "The marine finance industry is alive and well. Lenders stepped up to the plate for the boating industry by making credit readily available and creating several innovative products and programs. After an exodus of lenders in 1999 and 2000, it now appears more

institutions are becoming involved in our trade. NMBA membership has increased 15 percent within the year. Community banks and credit unions are again developing local and regional programs, clearly good news for the industry. We should congratulate ourselves for perseverance, creativity, and hard work. I believe marine lenders are poised

to maintain marketable and profitable finance products in today's low rate environment, and ready to meet demands when those rates turn north."

Coburn identified concerns as well. In wholesale, or inventory and lending, the low level of new product on dealers' lots is evident and expected to remain so. While lenders feel this is prudent for this "low" in the industry cycle, they are challenged to maintain profits with such little inventory to lend on. They also express an industry-wide feeling that when buyers come back in growing numbers there won't be enough



NMBA's Vice President Peggy Bodenreider auctions some items at the NMBA's opening reception sponsored by Bank of America.

product to fill the need. Lenders point to relatively strong activity in the pre-owned boat loan market suggesting it's driven by both lower pricing and a lack of new product available.

Service providers to the lending community saw a higher interest in their offerings at the conference. Strides are being made in availability and affordability of marine title insurance that will reduce risks in originating loans. Computer programs to facilitate loan transactions between dealers and brokers and banks are growing in utility and sophistication. When boats go into loan default, the network of recovery and remarketing firms is spreading and providing a higher level of service to banks that use them. The end result of these advances is to provide better and faster (and less costly) service to borrowers and minimize damage when the errant loan goes bad.

Fighting the "profit squeeze"

With falling interest rates and a competitive loan provider market, lenders have been looking for ways to maintain or



Ken Landon, KeyBank, the NMBA's Diamond sponsor with Robin Cottmeyer, NMBA's immediate past president

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grow their profits over the past 18 to 24 months. Mike Moebis, founder of Moebis Services of Lake Bluff, IL, told the audience that it was guilty of focusing too closely on rates being charged and should start looking to fees and balances to beef up profits. An economist and provider of financial institution data to Congress and the Federal Reserve, Moebis also warned that he expects interest rates to continue falling through the first quarter of 2003 to 5 percent for 30-year real estate mortgages. Why? Because the Fed feels there is too much money in circulation and they can pull it out by lowering rates to encourage people to borrow. If he's right, boat loan rates could drop another full percentage point further pressuring lenders to find ways to shore up profits.

Moebis' solution for lenders is to consider fees, bring some cash in on the front end of the loan through a service and reduce transaction costs. Ways to do this would be to charge for a loan application or origination, sell a "credit life" policy with each loan, and insist that loan payments be made through electronic payment. Most, including marine lenders dropped loan fees in the early 1980s due to competition, and most fear trying this today for the same reason. Moebis points out, however, that gaining a positive loan balance, compared with a negative balance as most loans start out now, makes them instant performers. Adding some fee income from a credit life insurance sale can push up the return while the electronic payments cut monthly maintenance costs dramatically. Using a model he developed, Moebis showed that making just these three changes resulted in impressive profit gains, so much so that the loan rate could probably be reduced. As the lenders attending agreed, reducing rates is the quickest way to increase loan volume.

Boat, business insurance rates going up

As auto and homeowners already know, insurance rates have headed higher and, according to Mike Smith, president of Global Marine Insurance of Traverse City, MI, boat and yacht insurance premiums will rise five to eight percent this year. Increases for boat dealers and marinas are expected to far outpace those above and he suggests lenders should review these policies to make sure they are in force and adequate. Much of the rate rise was precipitated by the insurance industry's reaction to the attack on America last September that caused an estimated \$50 to \$70 billion in losses, three times greater than the losses of Hurricane Andrew ten years ago. The good news, Smith notes, is that the system worked and protection was provided to those covered. He cautions that the industry may be looking at



Attendees enjoying Tuesday's Chicago River cruise sponsored by Sun Trust.

increasing loss reserves that, short term, will also affect rates and availability of insurance.

Smith passed on other insurance trends of interest. There is some consolidation going on in the market with the larger insurers gaining strength (these include State Farm, Allstate, BoatUS/CNA, Zurich and Travelers Firemans' and Liberty



Jane and Bob Toney, National Liquidators hosting their annual Monday night barbeque, shown with Jim Meere

National have left the marine insurance market). Customer credit scoring is emerging as a tool for pricing policies where better credit results in lower premiums. Consumers have indicated they are more comfortable having access to agents for guidance as opposed to dealing "on-line" with national insurance providers. He also appealed to lenders and others in the industry to improve education to "new boaters," who create fully half of all insurance losses ... reducing this exposure will cut costs and rates and result in better initial boating experiences for novices.

Identify theft growing threat

Identity theft, where individuals' private information such as social security numbers, credit card and bank account information, medical history, family details, etc. are stolen and used for financial gain, is the fastest growing crime in America. Robert Douglas, whose firm American Privacy Consultants of Oak Creek, CO helps companies protect against it, painted a somber picture of the practice which is occurring 750,000 to 1 million times each year and growing. It's not the simple scam where a thief uses someone else's credit card to buy a pair of basketball shoes, but a sophisticated system of stealing billions of dollars for personal or political, including terrorist, purposes, disrupting commerce, and threatening lives. Douglas showed the ease by which perpetrators can obtain the privileged information and noted that about 1,500 "information providing" firms, many internet-based and illegal, are operating in the U.S. Lenders, of course, are regular targets for those building black market databanks, and lenders are often unaware partners sharing private information resulting in fraud.

To protect against these invasions, Douglas said the best method is to get customers to use PINS (personal identification numbers) with all transactions, whether getting cash at an ATM, using a credit card for a purchase or establishing internet accounts. PIN lists are the most difficult to obtain by thieves. Treat private information as you would a child, he

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BUCKLEY SHARES VIEWS ON ETHICS, STRATEGIES

Brunswick chief worries about corporate squeeze; sees long-term gains

George Buckley told National Marine Banker Association Conference attendees on August 26 that he's all for corporate responsibility and holding company leaders accountable for their transgressions, but he is concerned that American ingenuity could be damaged if penalties keep businesses from experimenting with new models or taking risks. He calls it Darwinian Economics. Headline cases including Enron, Tyco, Worldcom and others are clearly very troubling, he agrees, but doesn't feel they reflect pervasive wrongdoing. The vast majority of people he meets in corporate America are very decent, trying to do the right thing for their shareholders, customers and employees alike.

As chairman and chief executive of the world's largest marine engine producer and boat building concern, Buckley suggests the boardroom mistakes of those companies probably started slowly, continued to edge negatively and then eventually got out of control. CEOs who operate this way believe they are the ruler, forgetting responsibilities to employees and shareholders, gradually becoming arrogant and imperious. "What some people forget is that being a CEO is a tremendous privilege and an immense responsibility and it should always be considered and treated as such by those who hold that position," Buckley explains.

New laws going into effect are strict with significant penalties. Buckley wonders if all CEOs will have the capability to sign off on the validity of accounting information using the example of a major corporation with more than 200 operating divisions issuing quarterly reports. He noted that penalties in some very serious criminal cases carry sentences of four to eight years, but corporate malfeasance could put the CEO away for 11 to 25 years. Along with legal worries, boards are looking at stock options with an eye to cut them back. Considering the risks and rewards, Buckley asks, "Unless we achieve better balance, who will want to become CEO or a director of a publicly traded company?" More broadly, he cautions that the U.S. could become "a new Japan, overly cautious and frozen by a risk averse business culture. If we do," Buckley explains, "we will lose one of the things that makes America great."

State of the boating industry

Similar to most marine businesses, Brunswick's combined engine and boat sales have fallen since the industry began trending down in early 2000. One division's sales fell by almost 40%. Company studies indicate larger boat model sales are impacted by, in order, consumer confidence, gasoline costs, and credit availability; small boat sales are driven by credit costs, gas costs and the prospect's employment outlook. Buckley sees declines bottoming currently and expects a return to more normal market conditions by spring 2003. In the past, new boat business has recovered with double-digit gains, but he expects a slower five to six percent industry growth as boating turns up this next time. He predicts the "up cycle" should



NMBA President Jim Coburn, George Buckley, Chairman & CEO Brunswick, Bernice McArdle, NMBA

run at least six to eight years which is the norm for marine industry cycles.

Dealers are keeping new boat inventories at record lows, a practice Buckley believes is prudent and sensible for the short term. He notes Brunswick has maintained some long lead time raw materials at moderately increased levels in anticipation of better sales, but says that strong demand would outpace production of finished products if inventory levels fall much lower. To keep its expenses in check during the contraction, Brunswick sold non-performing companies and used the proceeds to pay down debt and strengthen its balance sheet.

Strategies to grow

Brunswick will build on six primary platforms to grow its business. These include: lowering the costs of manufacturing; focusing on technology and innovation in both products and service; providing higher levels of service to consumers; strengthening brands and marketing programs; refining distribution methods; and attracting more good people to manage the company. Buckley said Brunswick will be directly involved in broadening its marine electronics presence, expanding international penetration, working on integrated production methods based on the automobile model, and making selected marine acquisitions.

Looking out five-plus years, he sees some consolidation coming, resulting in new and better forms of dealer-OEM partnerships, fewer boat builders and higher costs of entry into the marine market as the technology costs to manufacture boats increase. He also sees that addressing environmental issues, especially noise, engine and VOC emissions, will continue to be a major focus for Brunswick and the industry as a whole.

British-born, Buckley says his very positive perspective on American values serves well in building and running good companies. His goal is to make Brunswick the world's Gold Standard in marine in every segment they participate in and in every product they manufacture.

PROS BRIEF ON RECOVERY & REMARKETING BASICS

Conference panel provides "basics course" for transactions gone awry

In every rise and fall cycle of the boating market, there is a period of greater activity for repossessions and remarketing of the collateral in question. A panel of experts at NMBA's annual conference offered the basics of what to do when the loans are expected to create trouble or simply go bad. A more complete presentation on boat collection and recovery will be presented at the NMBA's Annual Marine Lending Workshop scheduled for December 8 - 10 in Annapolis, MD.

Led by NMBA past president Robin Cottmeyer of Atlantic Consulting of Annapolis, MD, panelists providing their experience included: maritime attorney Bob McIntosh of Adorno & Yoss of Ft. Lauderdale; Jim Meere, marine asset manager based in Tampa, FL for debis Financial; and Bob Toney, president of National Liquidators and National Yacht Sales of Ft. Lauderdale. The Q&A format provided these highlights ...

Q. When should lenders become "aggressive callers" if they suspect a non-performing loan?

A. At 40 days for small craft and no later than 30 days for large craft.

Q. What are some "red flags" indicating the loan is in trouble?

A. Loan inquiries from the borrower or others, payoff requests, calls from marina or service personnel who are involved with the boat.

Q. What are the advantages of "self-help" repossessions?

A. These tend to be more cost effective, faster, gaining the boat in better condition ... and at a Marshall's sale, boats usually sell for lower prices.



Moderator Robin Cottmeyer introduces the Repossession & Collection panelists: Bob Toney, National Liquidators; Bob McIntosh, Adorno & Yoss; Jim Meere, debis Financial

Q. And, what are the disadvantages of "self-help" routines?

A. Increased general risks and the possibility that other "undiscovered" liens may come in ahead of the lender's claim.

Q. When should a lender use self-help instead of a Federal arrest?

A. Only when there is knowledgeable and experienced staff to do so and seizure looks very simple and safe. Obviously, bigger boats require capable crew to move without damage.

Q. Should the lender work with the dealer, marina or yard to repossess?

A. Since the borrower likely owes current service providers, caution is necessary in involving them. On bigger boats, the same is true of crews that probably are owed back wages.

Q. How long and how much does an "in-court" seizure take?

A. Generally six months and from \$15K to \$30K (and up depending on complications arising in the process).

Q. When using an agent to repossess, what should the lender look for?

A. A state license, proof of insurance and list of references (panelists urged listeners to call the references to verify). When possible, visit the agent's facilities to see firsthand if it looks professional and orderly.

Q. It's necessary to establish "commercially reasonable prices" when selling the recovered boat. How is that done?

A. By getting a "conditional survey" by a qualified or certified marine surveyor and equating that to selling ranges in various boat "pricing books."

Q. How long does it take to sell the recovered boat?

A. Generally 90 to 120 days.

Q. What can lenders expect to collect on the remarketed boat?

A. Average return of boats is about 50 percent of reasonable price after all expense items.

Q. What are the chances of collecting any deficiencies on the resold boat from the borrower?

A. Extremely low.

BILL OTTO GAINS FIRST NMBA INDUSTRY SERVICE AWARD

Group founder; former president is cited for finance industry guidance and growth

In a surprise presentation during the National Marine Bankers Association (NMBA) annual meeting August 27 in Bloomingdale, IL, KeyBank's Bill Otto received the association's inaugural "William B. Otto III Industry Service Award." Conceived of by Mike Smith and Pam Stanley, principals in Traverse City, MI-based Global Marine Insurance, the tribute is to recognize individuals within the marine industry who have given their time and energy to the NMBA or other groups to help colleagues achieve success in their work or business. Global Marine, a supplier of insurance services to many NMBA members, will continue



Mike Smith and Pam Stanley present the first William B. Otto III Service Award to Bill Otto at the 2002 Annual Conference.

to sponsor and maintain presentation of the award, which takes the form of a glass trophy to the recipient and wooden plaque noting the awardees to be kept at NMBA headquarters in Chicago.

Otto was a founding member of the association in 1980, has served in all elected officer positions, is currently rounding out his second term as treasurer and was Annual Conference chairman this year. He is credited with organizing the first marine lending conference that brought the financial community together with counterparts in marine manufacturing, retailing and services, including insurance providers, maritime attorneys, surveyors, etc. Many agree this helped unite the fragmented aspects of the service side of boating, spurred financing to dealers and consumers, and resulted in a better overall purchasing experience for boat buyers. Otto is currently vice president and relationship manager for KeyBank USA that has headquarters in Cleveland.

Making the presentation, Smith said, "I think you will all agree that this association would not be what it is today without Bill's vision, extremely hard work and years of dedication. I have known him for 20 plus years and he has the same passion for this business as when I first met him. He has always impressed me with high ethical standards and the fact that he never forgets about the customer. "

DAVID ORR SAYS FAREWELL AT CONFERENCE

In characteristic fashion, David Orr, the former First Union - Wachovia Bank chief economist who provided annual reviews of global business to NMBA members for 13 consecutive years, said goodbye to friends at the annual conference. He said he needed to retire because he had run out of economist jokes. However, Orr did deliver some final advice on stock market picks as he had over the years. His "new theory of investing" goes like this: if investors took \$1,000 two years ago and put it in tech stocks, today they would have \$11 to \$18; the same amount in Worldcom would be worth \$2.50; but if they had bought the same amount in beer and recycled the aluminum cans it came in, they'd have about \$25. Orr's advice: drink the beer!

To thank him for his service to the industry and NMBA with "on the money" economic projections, the Association presented Orr, accompanied by his wife Jonnette, with a framed service award, signed by all the Directors.



David and Jonnette Orr with Bill Otto at the conference.

AMERICAN YACHT SALES STRIVES TO MAXIMIZE RETURN TO LENDERS

The marine repossession and remarketing industry is changing dynamically, spurred by market concepts that yield better returns for marine lenders. The promotion of mega-dealers such as MarineMax and Travis Boating Center has made it necessary for repossession remarketers to create upscale sales locations to attract quality buyers for used and recovered inventory. American Yacht Sales opened its new Repo Super Center in March of this year, which features two acres of covered showroom and a two-acre land-locked marina with slip spaces for 50 boats. Staffed by quality recovery specialists, skilled professionals to research and address title issues, and aggressive sales agents driven by competitive incentive programs, American Yacht Sales has increased their average return to banks by 24% this year.

To maximize returns for marine lenders, American Yacht Sales created a game plan for success, which includes the following programs:

- Proactive strategies with marine lenders with an agenda of visitations, and inventory and performance reviews
- Create and maintain a repo Super Center which mirrors a new car dealership

- Focus on a giant-sized Internet presence (www.americanyachtsales.com) with a minimum level of 1,000,000 hits per month on individual boats to create a competitive buying tempo
- Expand repo financing opportunities to include immediate approval, add-on equipment financing, extended warranties, delivery expenses, and credit life insurance
- Establish proactive programs with marine supply stores for after-the-sale discounts on marine equipment and accessories
- Educate the sales and service staff by visiting major boat shows, marine lenders, other marine remarketers, boat factories, service schools, and other related seminars and conventions with focus on doing a better job for our banks by oozing confidence to our buyers

By thinking outside the box, American Yacht Sales has created an environment that eliminates bottom feeders yet promotes the "Grow Boating" industry message by attracting first-time boaters. American Yacht Sales welcomes visits to its new Houston-area facility at 3304 North Wyoming in Dickinson, TX.

GREG PROTEAU APPOINTED TO FILL BOARD SEAT

At the NMBA's Fall Board of Directors meeting in Chicago (August 2002), Greg Proteau was appointed to the NMBA board of directors to fill the seat vacated by Scott Ward. He will occupy this seat until its re-election in 2003.

Since early 2001, Proteau has been operating his own consulting firm, advising companies within and outside of the marine industry in the areas of marketing, communications and traditional and electronic publishing. His clients include service providers in the lending, insurance, legal and surveying fields, associations, manufacturing concerns, startups, media, and other marketing communication businesses. In the latter case, Proteau is Senior Counsel for Home Port



Greg Proteau

Communications that provides on- and off-line marketing strategies and public relations to those in marine and other industries (for marketing ideas or to sign up for its monthly e-newsletter, visit www.homeportcommunications.com).

Boating Writers International, Inc. appointed Proteau Executive Director in early 2002. This is a group of 300 writers with literally all the major marine publications in North America with additional members in Europe and Asia (see www.bwi.org). He also continues writing about boating and marine finance industry trends, companies, people and ideas with articles appearing in most of the marine trade publications and on their websites. Proteau was director of communications and public relations for the National Marine Manufacturers Association for 21 years and was the founding executive director of the National Marine Bankers Association prior to establishing his own business.

ANNUAL MARINE LENDING WORKSHOP SET FOR DECEMBER IN ANNAPOLIS

The NMBA's ever popular annual marine lending workshop is scheduled for December 8-10 at Loews Hotel, in historic Annapolis, MD. This comprehensive two day program has become a must attend event for marine professionals engaged in direct and indirect retail marine lending, collections, and loan origination. This workshop is the only one of its type offered in the US and features a complete course on the various elements of pleasure boat finance. Limited in size, the participant is assured plenty of access to the instructors, who are veterans in the marine industry with more than 125

years in combined experience.

Topics covered during this two day event cover an Industry Overview plus modules on Market Planning and Development, Marine Insurance, Collateral Evaluation, Credit Analysis, Registration and Lien Perfection, Collection and Repossession, as well as Collateral Remarketing.

For more information, please contact Bernice McArdle at bmcardle@nmma.org or by telephone at 312-946-6260. Details can also be found on the website at www.marinebankers.org

TERRORISM LAWS MAKE DEMANDS ON LENDERS, OTHERS

All "Financial Institutions" subject to regulations following 9/11

Federal laws passed in response to the Attack on America a year ago and related regulations require all businesses to avoid transactions of any kind with a growing list of terrorists and other specially designated individuals and organizations. Statutorily defined "Financial Institutions" have additional obligations to help in the war against terrorism by establishing anti-money laundering programs designed to end terrorist's access to funding.

On September 24, 2001, President Bush issued an Executive Order blocking and prohibiting all transactions of any kind with a list of individuals and entities identified as terrorists. That list has been amended many times since then and has been combined with other lists of specially designated persons with whom all transactions are forbidden. The combined lists are now more than seventy pages long and contain thousands of names.

In October of 2001, Congress passed the USA Patriot Act, which imposes stringent anti-money laundering compliance requirements on all "Financial Institutions." Institutions which make loans on boats, and "boat dealers" themselves are covered by these requirements. Among many other provisions, the USA Patriot Act requires special account opening procedures and "know your customer" due diligence. The Act also requires financial institutions to implement systems to insure compliance with the ban on transactions with terrorists.

These new requirements will be enforced through potentially severe civil and criminal penalties, including prison terms for those who violate them knowingly. "I'd estimate that only about half of the financial institutions serving the boating industry are aware of these new laws, and only a handful are in compliance," says Jim Coburn, President of the National Marine Bankers Association (NMBA).

Awareness of the law by others in the boating industry is significantly less, according to Mark Buhler, an admiralty attorney with Holland & Knight in Orlando, Florida, a member of the NMBA's Marine Lending Law Network. "We are concerned that many clients fall within the definition of 'financial institution,' including insurance firms, boat dealers and brokers, and marine lenders. Others providing services to boat owners, such as marina operators, may not be financial institutions, but are nevertheless covered by President Bush's Executive Order," Buhler says. "Whenever money could pass between a business and a person or entity on the government's terrorist list, the law applies." Established to combat money laundering by terrorists to fund their activities, Buhler points out that any transaction which helps terrorists go about their business violates the law.

For marine lenders, boat dealers, insurance companies and other financial institutions, the potential sanctions are even more severe. Failure to establish anti-money laundering compliance programs alone can lead to substantial penalties. If a company ignores this requirement and, even inadvertently, engages in a transaction with a terrorist, criminal penalties could be imposed.

An anti-money laundering program typically must include: written policies and procedures; designation of an individual assigned to oversee and guide the program; training of employees; and periodic auditing and monitoring to make sure the program is being followed. Buhler recommends that it is time for businesses to determine the extent to which they are covered by these new laws, and to implement programs to comply. For more information, contact him at (407) 425-8500, mbuhler@hkclaw.com, or visit www.hkclaw.com.



Bryan Braley, LAB Marine, sponsor of Tuesday's cocktail party and golf putting competition.



Steve Hannay, John Redmond and Bob Dunford at the Golf Tournament



Ken Landon, Howard Haskin, Larry Reagan and Rob Peterson at the Golf Tournament

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suggests. Much protection is common sense, including knowing whom you are providing details to and asking questions before giving it away. Shred sensitive documents with consumer data; lock up print-outs and lists; protect any forms with institution logos or trademarks that might be forged; know who works for you; search the net to see who has your sensitive data who shouldn't; and think like the thief. There is a growing network of support to combat identity theft. Douglas encouraged attendees to call the Federal Trade Commission's Theft Line (877-ID-THEFT) and request a victim's kit for help when a customer is affected. To find recent Treasury advisories on the subject, visit www.treas.occ.gov and click on "alerts section," or Douglas' site at www.privacytoday.com.

Brighter view of economy

Unlike a camp of forecasters encouraging caution at the NMBA Conference, Vincent Boberski, senior economist and fixed income strategist for Chicago's RBC Dain Rauscher, is upbeat about lending and business prospects as the U.S. moves out of recession. He sees about three percent growth for all of 2002 (a 3.8 percent gain over 2001) and growth of about 4 percent next year (which will be a 6.1 percent gain). Latest government data shows the recession bottomed in 2Q '01 contracting at 1.6 percent and ended in 3Q '01 (however, these data are restated with each successive quarter reporting). He also said the Federal Reserve Board did a good job acting in early 2001 to lower interest rates softening both the pain of the unfolding recession and the turmoil caused by 911 events. Boberski is confident that the economy won't suffer a "double dip" recession due to strong consumer spending, the need to rebuild inventories, and because the federal government has moved to deficit spending which serves to prop up the economy in general.

For boating specifically, Boberski created a model based on historical marine manufacturer shipments and other financial indexes that shows a current slight upturn in activity and forecasts annual industry sales in 2003, and the next four years running at \$25 billion, about where they were prior to the current recession. He sees personal income as the key measure (with an 84 percent weighting) driving spending on boating, with interest rates, consumer confidence and household credit quality also taking roles. He points to home refinancing activity supporting this outlook, since the average consumer

enjoys a \$100 to \$200 per month savings resulting from the refi, translating to a growth in spendable income of the same amount. The only clouds Boberski sees are possible losses in equity markets (though he doesn't equate equity "wealth" and spending), and rising oil prices (with higher gas prices taking money from consumers). His forecasts for 10-year Treasury rates (now around 4 percent and that provide a benchmark for the most common boat loan rates) are 4.9 percent for 4Q '02 and 5.5 percent for 4Q '03.

Gaining more ROI from boat shows

Lenders and other firms providing service to boating consumers are exhibitors at the industry's boat shows or work there with dealers and brokers to facilitate boat financing. According to Ben Wold, executive vice president of National Marine Manufacturers Association and general manager of its 19 shows, the events really work to move products and generate loans. A recent survey by J.D. Power indicated 56 percent of boat buyers shopped shows six months prior to making final decisions on what to buy. Since the attack on America, Wold has spotted a few new trends. Collective attendance at the NMMA shows is off six percent, but sales are substantially better than expected. He says it affirms that families want to spend more time together and that a boat is one of the best ways to do so. In addition, the smaller boats (under 25-feet) are benefiting from this desire and have started to sell better.

To improve performance at shows, Wold says start before getting there. Pre-show promotion on websites, with emails or direct mail drives up attendance and helps prospects find exhibitors. On-site be sure to have a clear exhibit marketing message about what the firm sells and does, stand and smile to greet, and consider sponsorships to raise visibility. For indirect lenders, arrange for exhibitor coffee and danish, plan an exhibitor lounge, or hold a weeknight hospitality. He encourages lenders to continue spreading the "affordability through financing" message, using NMBA's materials or tying into the industry's Discover Boating campaign. Though Wold feels there are too many boat shows in certain markets, there are opportunities to grow boating in others that are underserved. In all markets, the industry can increase the value of shows to consumers by providing a positive and friendly experience, education on how to enjoy boating more, and entertaining everyone in the family.

THE BUSINESS OF

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**national marine
bankers association**

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