

# **Recreational Marine Finance Report – Trends & Topics**

## **Maritime Law Association**

May 4, 2016 - New York, NY

- **U.S. recreational boat loan availability remains steady**
  - Given some recent commercial bank mergers, there are no major changes affecting the availability of recreational boat loans
  - The market additionally continues to be served by a number of credit unions, community banks, private originators and low-cost home equity loan products
  - Selected events include:
    - Bank of the Ozarks, a non-marine player purchasing C&S Bank, late 2015; C&S Bank lending team reportedly remaining intact
    - Bank of the Ozarks, a non-marine player purchasing C-1 Bank (FL) Bank, late 2015
    - Chemical Bank (MI), a state and regional marine lender being purchased by Talmer Bank (MI), early 2016; the Chemical name will remain; plans to slightly increase marine loan business have been reported
    - Huntington Bancshares, a non-marine player purchasing First Merit Bank (OH), early 2016; officials report the marine lending team at FMB is remaining intact
    - Shore Premier Finance and SGB Finance relocated its HQ from MD to NC and installed a new marine finance and management team, 2015
    - United Financial Bancorp (CT) announced its entry into retail and floorplan marine finance; late 2015; marine loan offices are in MD
    - SunTrust Bank made an executive management change in Specialty Finance, 2016; no immediate changes have been reported for the marine finance team
    - U.S. Bank has reorganized its consumer finance management team in 2015; several finance areas, including marine, have been experiencing restructure
  
- **Dealer floor plan financing availability stabilized in 2015**
  - Dealers possess good choices for financing of their recreational boat inventory
  - GE-CDF, now Wells Fargo-CDF, remains the dominate marine floor plan lender today
  - Well Fargo's stated commitment to the marine floor plan space has effectively dodged loan availability and other concerns for many dealers, manufacturers and finance vendors in the U.S.

- **Boat loan business**

- Approximately 85% of marine retail lenders reported the same or increased bookings during 2015, compared to 2014
- Pre-owned boats accounted for 57% of reporting marine bank lender originations in 2014
  - The same trend is expected for 2015 originations, based on quarterly loan reports
- U.S. boat sales were reported as increasing in the 6-7% range for unit sales in 2015 by industry sources
- Major industry lenders estimate 2016 unit sales are up 5-6% percent; dollars sales over 10%, as U.S consumers continue to be resilient
- Profitability issues such as margin/spread management and credit risk continue to be play the leading role for recreational marine lender existence
  - During 4Q-2015, 19% of marine lenders reported margin increases from their boat loans while 25% report their margins have decreased

*(NMLA Annual Report/Snapshot, SSI, and WFS)*

- **Type of boats being financed by bank and credit union lenders**

- All lenders reported increased finance originations for all boat types, except houseboats:
  - 91% of surveyed NMLA lenders reported increased financing of outboard boats over 18 feet in length
  - 80%; outboard boats under 18 feet
  - 80%; small sterndrives under 18 feet
  - 69%; sterndrives over 18 feet
  - 60%; inboard ski/wakeboard boats
  - 53%; inboard cruisers
  - 50%; jet boats
  - 43%; houseboats (did not increase over prior year)
- For documentable boats, 79% of the lenders reported increased originations for power boats; 70% reported increased originations for sailboats

*(NMLA Annual Report)*

- **Recreational boat loan underwriting**

- 94% of marine lender players reported that credit criteria had not changed at year-end 2015 (compared to 2014)
  - 6% of the lenders reported they believe credit was actually less stringent in 2015
  - No lenders reported credit criteria as being more stringent in 2015
- Credit quality is projected to remain stable as boat loan originations, particularly in dollars, continue to increase year-over-year
- However:
  - An analysis of current marine lending bank programs in 1Q-2016 indicate slight easing of downpayment requirements and more moderation toward of collateral valuation procedure and LTV guidelines
  - Further analysis of historical and current programs reveal most marine lending banks have gradually reverted back to underwriting practices that existed prior to 2008

*(NMLA quarterly Snapshot and Coburn & Associates, LLC)*

- **Credit Scores**

- All lenders (banks & credit unions) reported they originate and hold boat loans with scores from 700 to 850
- 50% originate loans with scores from 650 to 699
- 15% originate loans with scores from 600 to 649
- 10% originate loans with scores from 500 to 599
- No lenders reported originating loans with scores below 500

*(NMLA Annual Report)*

- **Average boat loan delinquencies are now performing at pre-great recession levels**

- 2015 delinquency data is expected to remain stable for prime loans; slightly higher for non-prime
  - 2003: 0.85%
  - 2004: 0.69%
  - 2005: 0.83%
  - 2006: 0.63%
  - 2007: 0.85%
  - 2008: 1.18%
  - 2009: 2.26%
  - 2010: 1.69%
  - 2011: 1.48%
  - 2012: 0.82%
  - 2013: 0.80%
  - 2014: 0.87%
  - 2015: In process for release in July, 2016

*(NMLA Annual Report)*

- **Boat loan total charge-offs continue to improve**
  - 2015 total charge-off data is expected to remain stable
    - 2003: 0.35%
    - 2004: 0.30%
    - 2005: 0.52%
    - 2006: 0.27%
    - 2007: 0.77%
    - 2008: 0.93%
    - 2009: 1.43%
    - 2010: 0.89%
    - 2011: 1.14%
    - 2012: 0.77%
    - 2013: 0.57%
    - 2014: 0.44%
    - 2015: In process for release in July, 2016

*(NMLA Annual Report)*

- **Financial regulation remains on “high-watch” by U.S. boat lenders**
  - The NMLA and the marine community at-large continues to monitor all consumer loan activities of the Consumer Financial Protection bureau (CFPB)
  - Dealer reserve, finance broker fees, underwriting and new/additional disclosures continue to be threats to boat loan operations and the cost of doing loan business
  - GE’s decision to sell its banking and lending businesses (including floor plan) was largely based on freeing itself from U.S. financial regulatory pressures

### **National Marine Lenders Association Events**

- **2016 NMLA 37<sup>th</sup> Annual Conference**  
September 25-27, 2016  
King and Prince Resort - St Simons Island, GA
- **2017 Marine Lending & Recreational Finance Workshop**  
Tampa, FL  
Early March, 2017 - TBA

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