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MARINE
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2017 ANNUAL REPORT

Price \$299



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EXECUTIVE SUMMARY

The *2017 NMLA Annual Report* is the most comprehensive source for recreational marine financing data in the United States. The data is presented in our exclusive 'two-segment format' delivering an in-depth view of the most important business lines within the industry. The two sections are arranged by finance topic and easy to read. Each year, new modifications and improvements are made to various Figures and Tables to improve the overall quality of the *NMLA Annual Report*.

Survey Results - Section One

Data in this segment provides information from banks, credit unions and private lenders who hold marine loan portfolios. In this section, you will find bank data relating to consumer loan activities, credit, operational processes, portfolio performance, socio-economic characteristics and more. The final pages of Section One provide recreational marine floor plan data.

Survey Results - Section Two

Data in this segment is specific to the recreation marine finance service company/finance broker industry. The output in this section delivers excellent stand-alone statistics for service company lenders in the areas of administration, socio-economic characteristics and loan origination processes. Exclusive coverage of service company industry fees, commissions and sales representative employment data can be found in the final pages of Section Two.



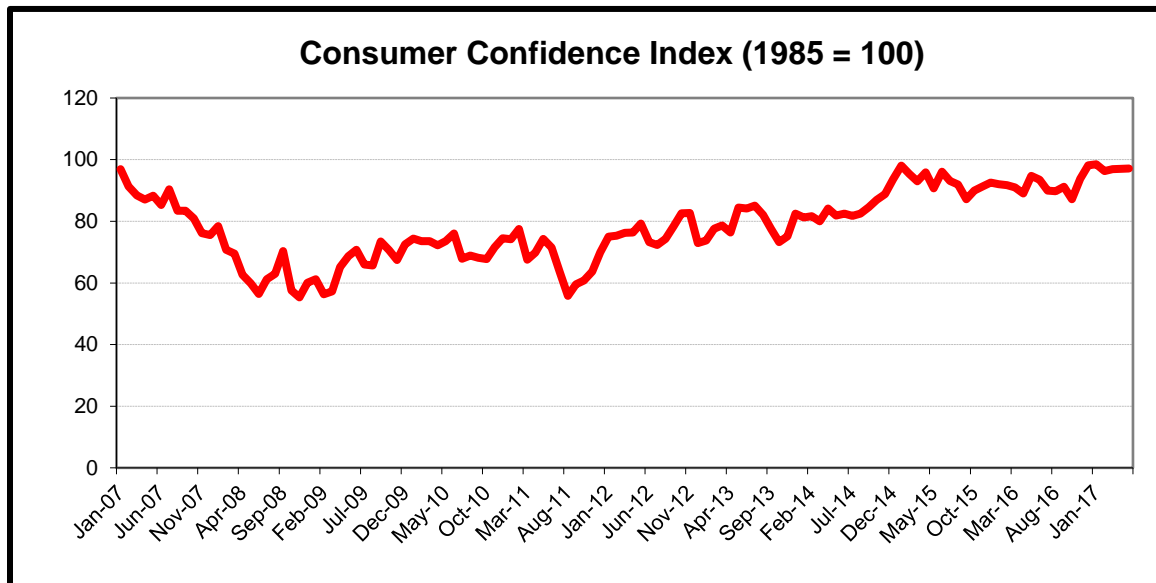
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Industry Overview and Economic Highlights

For all fiberglass boats excluding PWC's, the market is displayed growth across all length groups, with a 5.3% unit increase in 2016 over prior year sales.

The majority of both Bank and Service Company providers continued to see increasing loan volume throughout 2016 and they expect the same in 2017.

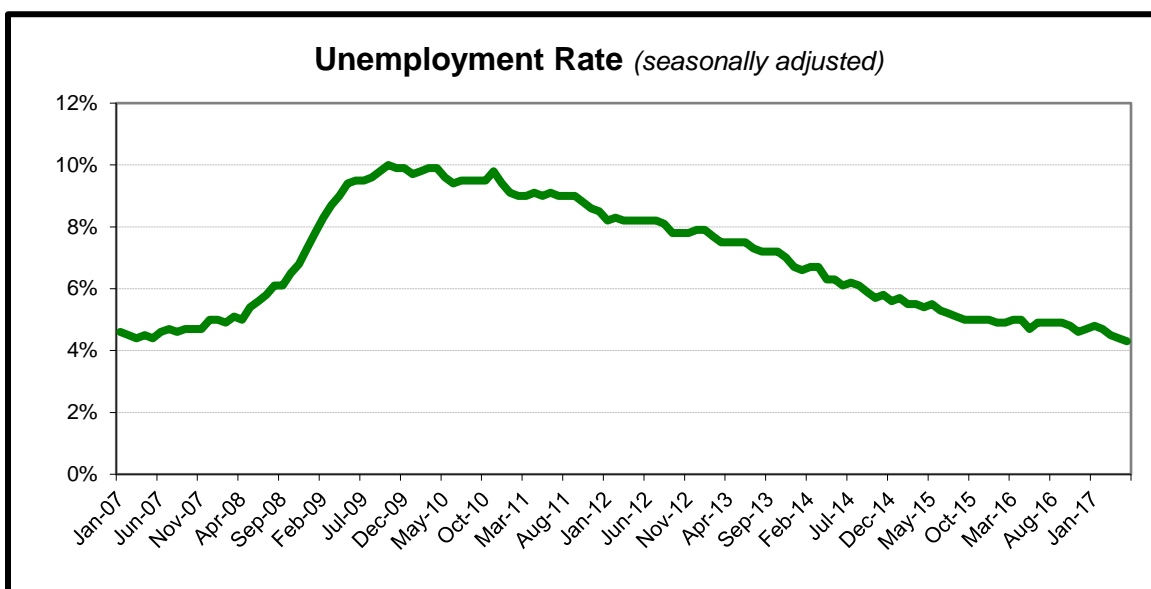
Consumer confidence (using 1985 as a base year = 100) plateaued in 2015 after a long upward trend which began in late 2011 and remained in the low 90s for most of 2016. From late 2016 to early 2017, the Index has increase from the high 90s to the high 90s on a monthly basis.





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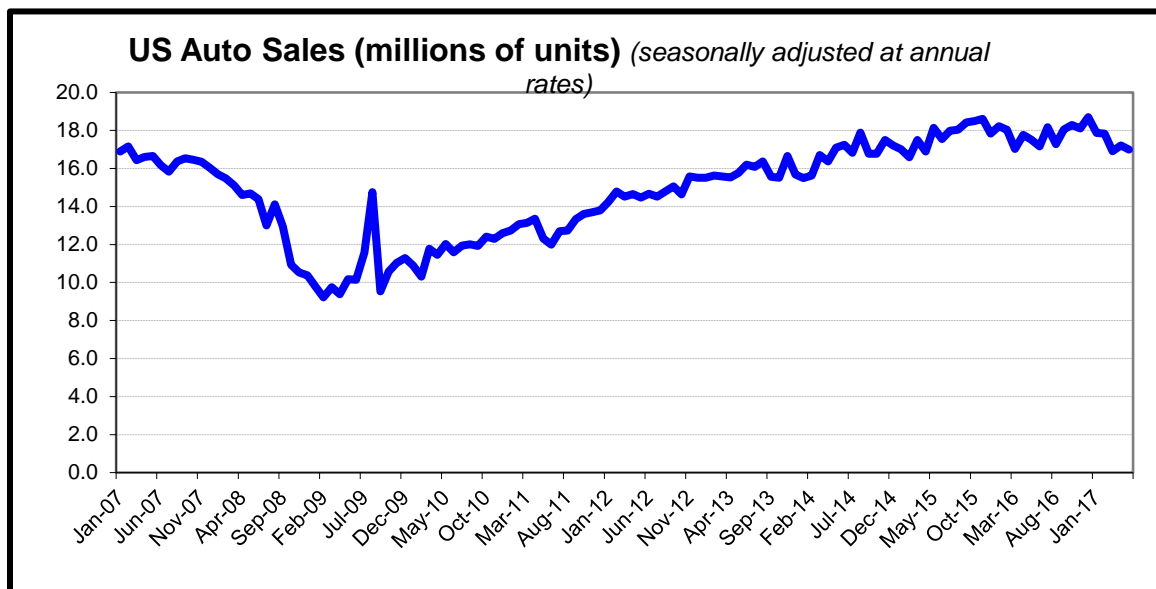
The **unemployment rate** continued to fall in 2016 to levels not experienced since late 2007. During early 2017, the monthly rate stabilized at just over 4%. The extended decline in unemployment shows a slow and steady recovery of jobs. Though other factors can play into unemployment rate (part-time employment, dropping out of the job market, etc.) the low rates are encouraging when assessing the state of the economy.





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New vehicle sales plateaued at 17.55 million units (SAAR) in 2016 after a long and steady increase following the recession in 2008. This major consumer expenditure is often considered a leading indicator of economic conditions and a predecessor of boat sales volume.

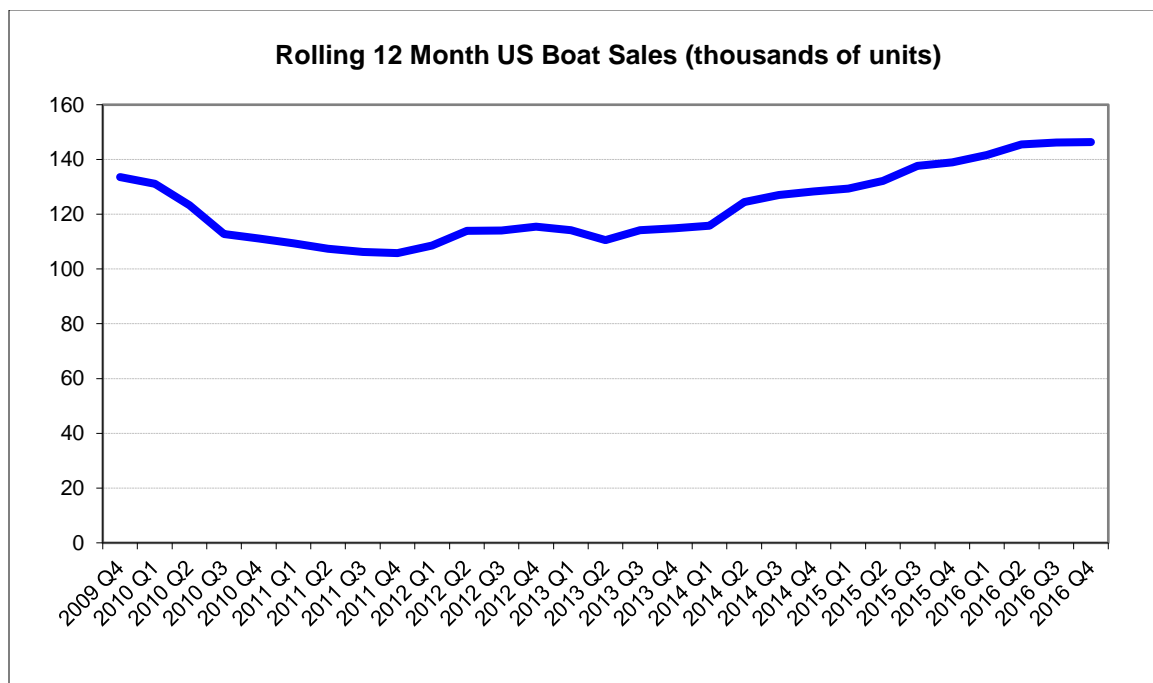




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New fiberglass boat sales (less personal watercraft) showed increased sales across all length groups. The 35' to 49' segment was the leading segment with growth of 10.5% in 2016. Continued growth in the industry is expected by NMLA survey respondents and industry experts alike, as the economy continues to strengthen.

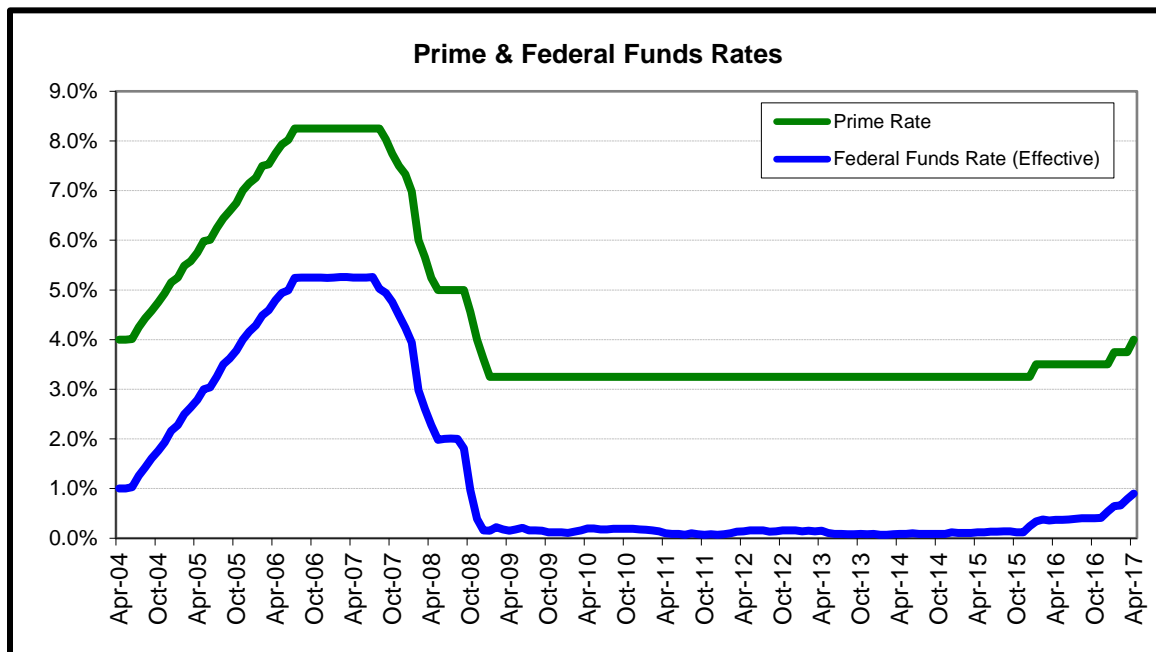
Under 18'		19' - 35'		35' - 49'		50' +		All Lengths	
Calendar Year	Change	Calendar Year	Change	Calendar Year	Change	Calendar Year	Change	Calendar Year	Change
2016	4.0%	2016	6.9%	2016	10.5%	2016	1.7%	2016	5.3%
2015	8.4%	2015	8.5%	2015	3.1%	2015	2.0%	2015	8.3%
2014	14.3%	2014	8.9%	2014	7.2%	2014	4.0%	2014	11.7%
2013	-5.7%	2013	6.0%	2013	10.3%	2013	4.2%	2013	-0.5%
2012	7.2%	2012	12.3%	2012	-0.2%	2012	11.8%	2012	9.1%
2011	-6.5%	2011	-2.5%	2011	0.6%	2011	-7.1%	2011	-4.8%
2010	-13.3%	2010	-21.5%	2010	-21.1%	2010	-15.2%	2010	-16.8%





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Both the **Prime Rate** and the effective **Federal Funds Rate** continued to increase in 2016 after virtually no change in either rate since 2009. The Federal Reserve is expected to pursue a policy of steady increases in rates in 2017 and beyond as improving economic conditions allow.



The stabilization and more recent continued growth in new boat sales is an encouraging sign for the economy and, of course, lenders. Because most boats are ultimately a luxury item and replacing or upgrading them can often be postponed, the market will get hit early in an economic downturn and can be slow to recover in an upswing. With several other economic indicators well into such an upswing, the boating industry is now experiencing the results of better economic health. Bankers and Service Companies alike are seeing overall growth in marine lending and expect it to continue.



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Highlights from the Annual Report include:

Bank Originators

- Income tiers over \$100k continue to be the greatest percentage of boat loan consumers for banks & credit unions. Respondents reported that 75% of their boat loan customers earned over \$100k per year, with 15% making more than \$250k per year.
- Refinance activity from those who offer refinance loans increased for the first time in four years.
- A majority of banks and credit unions sought more consumer loan assets in higher finance amount categories during 2016. Fewer lenders reported originations for smaller loan size categories (under \$10k).
- Manufacturer invoice and price guides continue as primary tools for banks and credit unions. However, price guide usage has decreased every year since 2014 and bill of sale usage increased significantly in 2016.
- Price guides remain the lender's primary source for used boat valuations – followed by website research (other than the price guide sites).” However, respondents reported their website research usage declined from the previous year.
- Pre-owned boats with a minimum age and minimum loan amount are used by a majority of respondents as a survey requirement. Conversely, the data reveals a five-year declining trend in all pre-owned boats where price and age are not a factor.
- Slight increases were reported in the 500-650 non-prime score categories during 2016. The data also reveals a declining trend in the near-prime category of 650-699.
- 10% continues to be the most common down payment for both new and pre-owned boats. Respondent down payment requirements <10% has gradually and steadily grown since the end of the Great Recession.
- There has been a gradual increase in the percentage of boat loan dollars to total installment loan portfolio dollars since the end of the great recession.
- The average size of a boat loan grew in 2016.



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Bank Originator Highlights - Continued

- Respondents reported positive volume experience in all boat types except for houseboats and jet boats.
- Most respondents saw an increase in activity in the first half of 2016 and expect continued increases in 2017.
- Like the first half of the year, Bank lenders expect the increased activity in the second half of 2016 to continue into 2017.
- Variable rate loan usage increased slightly in 2016. Fixed-rate boat loan products remain the lender's most popular choice.



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Service Companies

- The 45-54 age segment retained the highest percentage for marine loan customers in 2016. Service companies reported that income levels from \$100k-\$200k comprise 67% of their loans. Stability characteristics (two-wage, home ownership and traditional family) in 2016 were comparable to 2015, while vacation home ownership declined for the fourth straight year.
- Service companies direct and dealer/broker referred sources in 2016 were comparable to 2015. Four respondents reported their business is 100% direct; another three responded they do 100% dealer/broker referred business.
- Service companies offering refinancing report business has declined for five straight years in that product segment as boat loan rates have remained consistently low.
- Service companies reported a decrease in average boat loan size in 2016.
- Respondents reported increased or consistent loan volume in all financeable product categories except for jet drive boats and outboard boats up to 18 feet.
- Most respondents saw an increase in volume over last year and expected to see the same in 2017.
- Most respondents enjoyed loan volume increases in the second half of 2015 and a larger percentage of respondents project the same for the second half of 2016.
- Service companies indicate an increase in fixed rate only loans originated.
- A majority of service companies originate fixed rate loans only.
- 34% of respondents took more than half of their applications online which is a 24% increase from the previous year.



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2017 Annual Report Survey Participants

Banks, Credit Unions and Private Lenders

Bank of the Ozarks	Northpoint Commercial Finance
Bank of the West	Peoples Bank (WA)
Banterra Bank	Radius Bank
Branch Banking & Trust Company	SunTrust Bank (Marine & RV Finance)
Caterpillar Financial Services Corporation	TCF Inventory Finance, Inc.
First Republic Bank	UniBank for Savings
Georgia's Own Credit Union	Union Bank & Trust
Huntington Bank	USAlliance Federal Credit Union
Independent Bank Corporation	US Bank
M&T Bank	Wells Fargo Distribution Finance
MB Financial Bank, N.A.	
Medallion Bank	
Merrick Bank	

Service Company Lenders

Aqua Finance, Inc.	Lending Associates, Inc.
Blue Water Finance	Marathon Specialty Finance, LLC
BoatUS (Marine and RV Lending)	Marine Banking Services
Certified Capital, Inc.	Marine Coast Financial
Coastal Financial Corp. (MI)	Marker 5 Financial Services
Coastal Boat Loan (VA)	Newcoast Financial Services
Diverse Offerings Finance	Priority One Financial Services, Inc.
Epic Finance, LLC	RV Lending Group
Essex Credit Corporation	SeaDream, Inc.
Finance Solution, LLC	Sebrite Financial
Great Lakes National	Sterling Acceptance Corporation
Intercoastal Financial Group, Inc.	Sterling Associates
JustBoatLoans by Vertisol, Inc.	Trident Funding Corporation
	YachtCloser Financial, LLC