

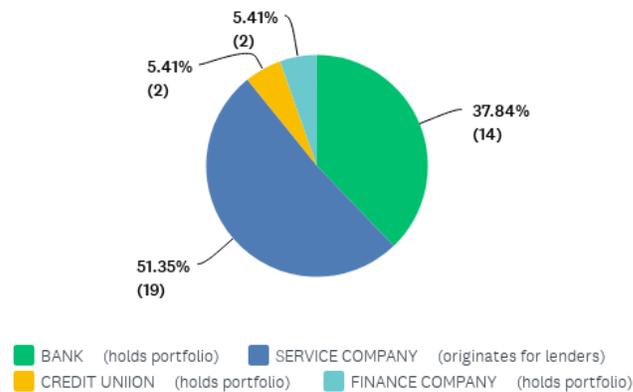
NMLA *SNAPSHOT* Quarterly Survey – 2Q2021

10 years ago, the NMLA introduced a brief quarterly survey to its lender members to gauge changes in the lending environment and identify trends that could be used for business planning. This survey (titled “*SNAPSHOT*”) has gained significant traction and is now delivering valuable results to the marine industry. Here are a few of the highlights of the 2Q2021 “*SNAPSHOT*”:

PARTICIPANTS

Many thanks to the 37 NMLA Lender Members who responded to the 2Q2021 “*SNAPSHOT*” (49% hold portfolio and 51% originate marine loans). This represents a **54% response rate** to this valuable questionnaire, the highest participation since the survey began.

Q1 Please Indicate what type of organization you represent:



INVENTORY – INVENTORY – INVENTORY

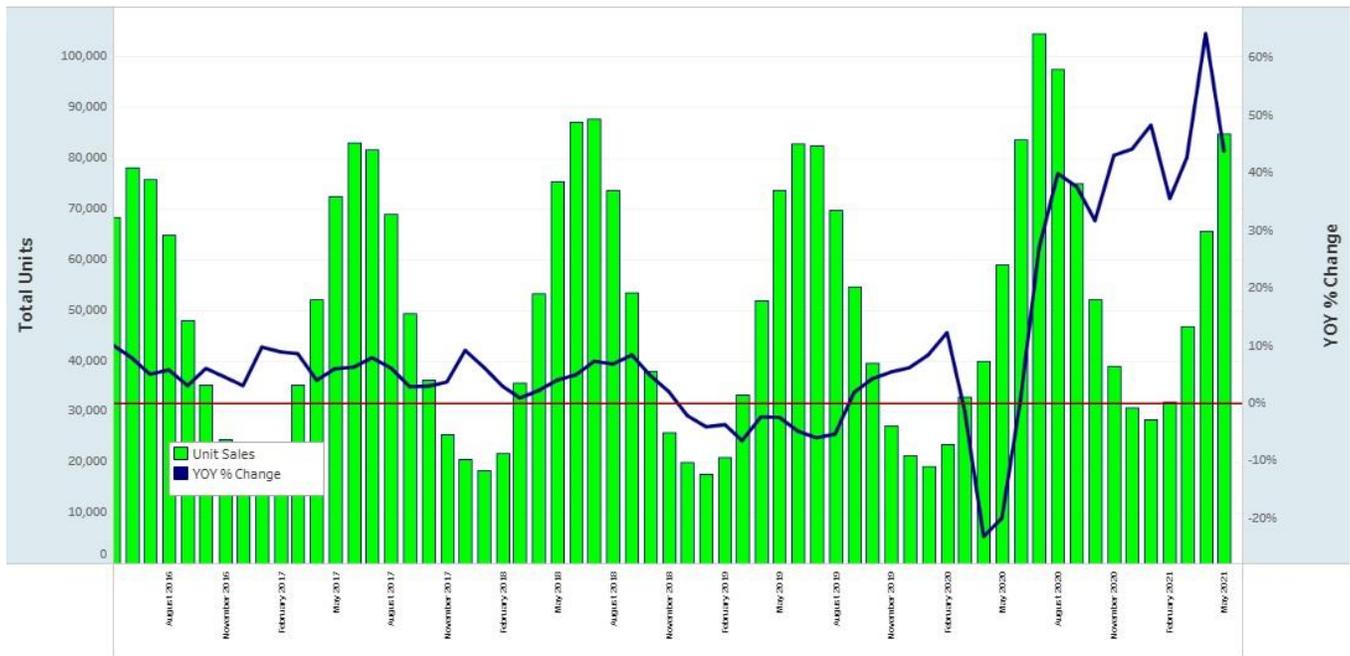
Inventory was the driving force behind this quarter’s responses. Volume decreased because of inventory shortages (delivery time for ordered boats projected at nine months and longer) and demand for product remained strong throughout the quarter. The inventory pipeline that existed in mid-2020 has been exhausted and manufacturers are playing catch-up and most likely, will continue to do so until late 2021 and into 2022.

Info-Link’s *InSight Report* is a great “snapshot” of new boat sales trends, and is based on state and federal boat registration data. Although the June 2021 *InSight* is not yet available, the following graph summarizes what all of us have known:

- We’ve been really busy!
- Inventory - Inventory - Inventory



InSight Report: May 2021
15' Plus New US Powerboat Sales
Segment: All Time Period: 3 Mo Rolling

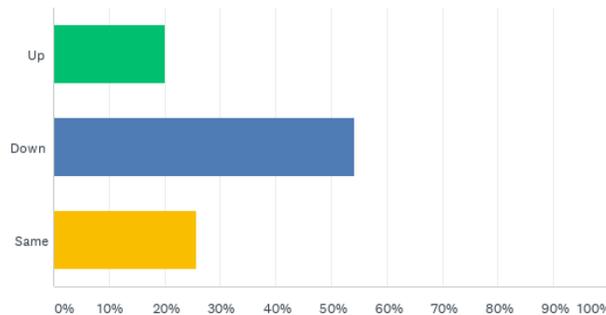


Copyright © Info-Link Technologies, Inc. Most recent months' sales based on available registration data adjusted by Info-Link to estimate entire US market.

The above graph reflects all new US Powerboat Sales 15'+ through May 2021 and the trendline beginning mid-2020 is self-explanatory. To view new volume by the various product types, [CLICK HERE](#). Selecting the option for run-abouts really reinforces the inventory issue.

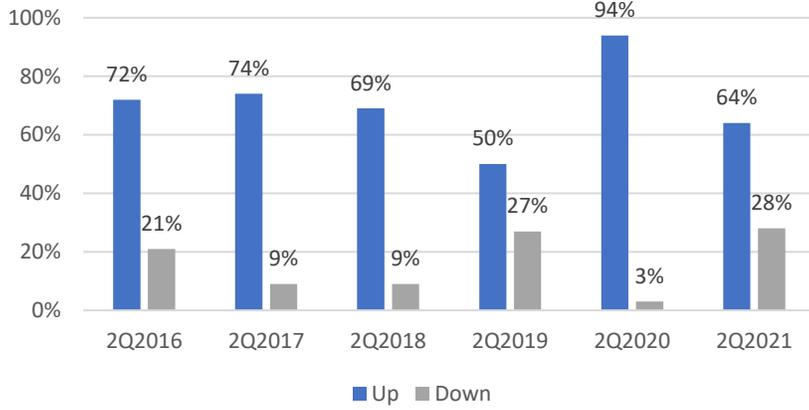
With new product depleted, used boat sales surged as well. Quality boats were selling at premium prices, making collateral valuation difficult at best. This collateral valuation issue was reinforced through responses to our SHAPSHOT bonus question that asked if underwriters were doing anything different when determining value. It was obvious by the responses who the lenders were versus the service companies, as lenders said they were being asked to make exceptions to their standard guidelines and service companies voiced that they were having a difficult time getting the advances requested. The best news is that 35% of the responses indicate that additional options are being utilized during the collateral valuation procedure (e.g., using more than one value guide, researching listings and sold boats online, etc.).

Q6 Looking ahead, what is your outlook for dollar marine loan volume in 3Q2021 compared to 3Q2020?



No surprise here!

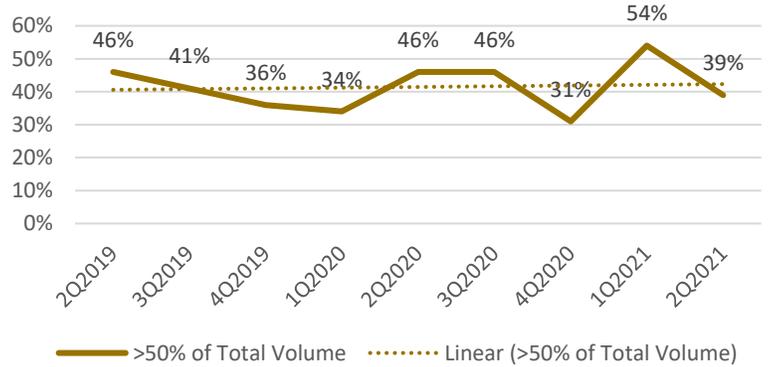
\$VOL YEAR-OVER-YEAR



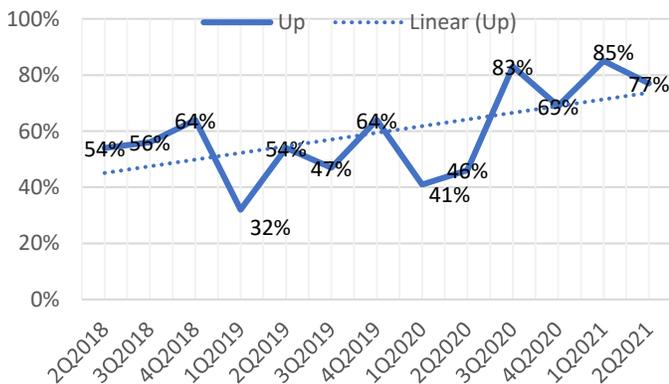
64% of this quarter's participants said their volume was higher than it was last year (NOTE: 2Q2020 perception was an all-time high YOY) while 28% said volume decreased when compared to the same period. What we are beginning to see is overall volume levels returning to pre-pandemic periods.

The current lack of new product is being felt by everyone, evidenced by the dip in new boat volume as a percentage of total volume. However, quarter-to-quarter, new boats remain in line with 2019 and early 2020 perceptions.

New Boat Volume >50% of Total Volume

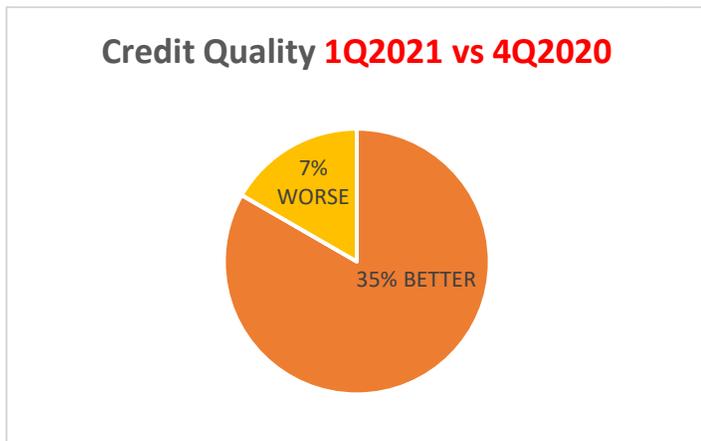


Average Loan Amount



2Q2021 participants commented that they are processing a greater number of requests for smaller loans. Although they perceived their average loan amount had decreased over the previous quarter, the average loan amount remains on an upward trendline.

Here's a look at how credit quality was perceived looking back to 4Q2020:



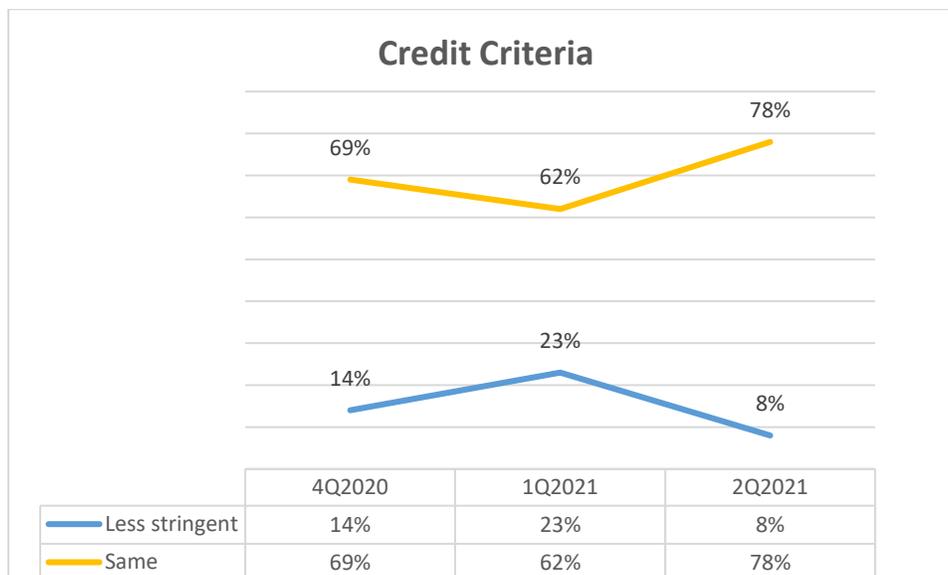
Participant comments included:

"We're seeing a lot more unqualified applicants this year."

"We see a lot of first-time buyers with limited credit history."

"...high DTI, insufficient down-payments, and low credit scores"

And finally, the overall perception is that lending criteria hasn't deviated much over recent quarters.



WHAT TO WATCH

The reason SNAPSHOT brings such value to NMLA lenders and associate members is because we learn what the participants feel is occurring in the marketplace. This quarter's comments were extremely interesting because they tended to be forward thinking vs just analyzing prior quarters. Here are some of the concerns felt by lenders and service companies alike.

Loan Quality

In addition to difficulty determining the value of collateral, underwriters are seeing younger buyers as well as first time buyers with limited "like size" credit in their files. A few lenders who track FICO scores for their booked loans commented that those "scores decreased for the first time" ever.

Collateral Value

This quarter's bonus question asked what, if anything, folks are doing differently during these challenging times when evaluating collateral. 35% said they were using additional valuation guides, looking at the survey value a bit closer (specifically the method the surveyor used to determine value), and using internet listings and sold boats more than they had in the past. The remaining 65% said they have not made any change to their CV procedure.

It should be noted that according to the *NMLA 2021 Annual Statistical Report*, 10% was the most common down-payment reported by participants. The big question today is 10% of what?

The Cost of Fuel

Another factor that can have a huge impact on the marine and RV market in the months ahead is the cost of gasoline. Here are some statistics from the US Energy Information Administration to think about:

Weekly U.S. Regular All Formulations Retail Gasoline Prices



Weekly U.S. No 2 Diesel Retail Prices



Regular gas is >\$3/gal for the first time since 2014 and diesel is at its highest since 2015. Will this have an impact on recent first-time buyers and possibly loan turnover?

###

Listed below are this quarter's *SNAPSHOT* participants. Thank you for your valuable perceptions of today's marine lending marketplace. If you did not participate in this quarter's *SNAPSHOT*, we urge you to do so in early October when the 3Q2021 survey will be emailed to all NMLA Lender Members. Until then, have a great third quarter!

Aqua Finance
Azure Funding
Bank of the West
Bank OZK
Banterra Bank
Blue Water Finance
Certified Capital
Community First Bank
Epic Finance
Excel Credit
Finance Solution
First Approval Source
First Commonwealth Bank
Georgia's Own Credit Union
Independent Bank
Lending Associates
LendingClub (previously Radius Bank)
Luxury Financial Group
M&T Bank

Marine Banking Services
Maritime Finance LLC
Marker 5 Financial Services
Medallion Bank
Newburyport Bank
OceanPoint Marine Lending
Recreational Dealer Services
Rock Solid Funding
Sebrite Corporation
Shore Premier Finance
Sterling Acceptance
Sterling Associates/Unibank
Trident Funding
Truist (previously BB&T/SunTrust)
U.S. Bank
USA Specialty Lending
YachtCloser Financial
Yamaha Financial Services