THE CURRENT

The repo man looms large these days

With discretionary income ebbing, especially for small-boat owners, one industry is seeing benefits

By Elizabeth Ellis

Brad Ferguson is busier than ever. As a "repo" man, he had 55 boats at last count in his Stonington, Conn., yard — roughly a 30 percent increase from this time last year.

"Judging from the numbers, there is a trend that business is better than it has been," says Ferguson. With home foreclosures at record levels, credit markets struggling, and oil and gas prices soaring, recreational boating, not surprisingly, is in a slump. Boat sales, after all, are tied to discretionary spending, and many Americans are losing their discretionary income to rising energy and other costs. It's during hard times like these, with loan default rates on the rise, that businesses such as Ferguson's Northeast Marine Liquidation (www.northeastboatssales.com) are at their busiest.

"There are busy times for Ferguson and others who repossess boats.

There's no question that the erosion of discretionary income is hurting boat sales. A boat is an item you don't have to have," says Don Parkhurst, senior vice president of SunTrust Bank in Richmond, Va., and immediate past president of the National Marine Bankers Association. "However, in the larger scope, the marine industry is in better shape than auto and home loans right now because people that tend to buy boats are more affluent than the average person."

Parkhurst says rising gas prices are a big part of boat loan defaults, but so are life events, such as losing a job or getting divorced. "Overall we're in an economic downturn, when those type of life events tend to happen more often," he says.

Whatever the cause of the default, repossessions are up, as the dozens of boats in Ferguson's two yards attest. During a visit by a reporter this spring, the powerboats ranged from a 2003 20-foot Grady-White ($15,000) to a 2001 50-foot Sunreef (249,000). He had two sailboats. "I would say 99 percent of the age or upkeep either, so they are more than willing to work with us," says Ferguson.

Depending on the loan, the owner has a window of 10 to 20 days to reclaim the boat and make good on the payments, although this can vary from state to state, says Ferguson. Very few, however, do. "One guy actually called me up and told me to come take his boat away," says Ferguson. "That happens ... maybe 15 percent of the time." Once the window has closed, the boats are sold online and at his yard, and Ferguson receives a commission.

Ferguson says he doesn't call the owner before picking up the boat, since they already have received numerous notices from the bank. "They usually know what's coming, they get plenty of notice before the repo stage," he says. "A lot of times they're angry or embarrassed, but they typically blame someone else."

Ferguson says repossessing boats is different from other repossessions, mainly because boats can be difficult to track down. They can be hidden at a friend's or relative's house, for example — in some cases out of state.

"The longest I've searched for a boat is 12 years," says Jeff Henderson, a former Army detective who runs Harrison Marine (www.harrisonmarine.com) in Harrison Township, Mich. "Over that time frame the bank kept opening up the file and closing it again. We discovered the owner had moved to Florida, so we had two states to look in. We had made contact with the individual, and he refused to tell us where it was."

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Bob Toney, 53, president of National Liquidators (www.yacht-liquidations.com) in Fort Lauderdale, Fla., says he's been with the company since 1991 and has never seen such a high rate of repossession for such a long period of time. "We've seen spikes for maybe three or four months, but this has been going on for the last 18 to 24 months," says Toney. "We're getting in about 120 boats a month — two to three years old, 38 feet on average — about 80 to 85 percent repos. I've never seen a trend last this long. We're the busiest we've ever been."

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Henderson eventually discovered the clue to finding the boat was right under his nose. The lawyer, the boat owner had used early in the process also had handled Henderson’s parents’ estate. The repo man eventually found the 40-foot offshore powerboat hidden in a chicken farm warehouse in Michigan.

Henderson, 48, has been in the repo business for 19 years and says neither he nor his staff have been in a violent confrontation. “Most of the time they don’t even come back for their stuff,” he says. “By law we are not allowed to make a profit on anything that is not attached to the boat (in Michigan). I’ve donated a lot of fishing poles and life jackets to the Boy Scouts and other community organizations over the years.” He says the most valuable item he has found was a painting appraised at $4,000, but typically it is galley items and clothing.

Ferguson says he once found a dog on a boat he was repossessing, and it turned out the owner was living aboard. The dog and the owner were reunited, but their home went the way of the repo man.

Henderson says he’s repossessed up to five boats in a day. “I probably do between 250 to 300 a year — probably 50 to 600 this year,” he says. “I believe I’ve repossessed about 3,000 boats in my time.”

Henderson and Ferguson both say many of the boats they take are between 30 and 40 feet and were purchased within the last 10 years. Ferguson says top dollar value is around $100,000. “The market that has had the hardest hit is smaller boats (less than 25 feet),” says SunTrust’s Parkhurst. “The reason is smaller boats have more of an entry level boater margin who may discover they can’t pay for it, as opposed to larger boats that belong to the more affluent that are more likely to afford it.”

Toney, of National Liquidators, holds weekly auctions to move the boats in his inventory. Often the boats he gets are in fairly good repair, but some basic maintenance, including a full mechanical inspection, is done. “Some suffer some neglect, since the owner was having financial problems and couldn’t do all the routine maintenance,” Toney says.

If so many can’t afford their boats, who’s buying those taken on loan defaults? Europeans, for one. “The value of the euro is so high, and most of it is online sales,” says Ferguson. “We sell a lot in Canada, too. I’d say now our sales are 80 percent U.S. and 60 percent Europe and Canada.”

Toney says 60 percent of his business is in Europe, and Henderson says he’s sold about two dozen boats to Europe and Australia so far this year.

Henderson, Ferguson, Toney and Parkhurst agree that communication is the key to effectively managing loans and avoiding repossession. “The human tendency is to not talk to the bank if one is behind on payments,” says Parkhurst. “If you are honest with them, they know what’s going on, and something can be negotiated. If they don’t know, they have no choice but to go to the route of repossession.”

Ferguson says when a lender calls, pick up the phone. “Cooperation is key,” he says. “Don’t wait for them to send you that letter.”

Parkhurst says the marine market hasn’t been tied to some of the “loose” loan practices that hurt the housing market. Despite that, Parkhurst says there were “stated income loans” where the customer would claim they made a certain amount and the bank wouldn’t verify whether it was valid.

“There’s a lot more accountability now. People have to show proof of income at this point across the board,” says Parkhurst. “Things will come back and turn around, but it will take some time.”

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