



RV FINANCING: A VEHICLE FOR GROWTH

In these challenging economic times, financial institutions must find new ways to grow and prosper by finding solid markets poised for growth and identifying stable lines of business where volumes are substantial but risk remains low. Today, smart, insightful lenders have an opportunity to become involved in an all-American industry that has always led the national economy in financial recovery...the recreation vehicle (RV) industry.

RVing's Popularity Continues to Grow:

- RV ownership is at record levels with more than 8 million RVs on the road – that is one in every 12 vehicle owning households.
- Demographics point to continued growth for the RV market with RVs popular across a wide range of age groups. The vehicles are popular, of course, with America's growing population of active retirees with 36 percent of current RV owners age 55 years or older. However, most RVs are now owned by those age 35 to 54 years old with nearly half of all units owned by this age group. And, the largest gains in RV ownership are among those 35 years old and younger.
- According to industry research, the typical RV owner is 49 years old. He or she is married, with an annual household income of \$68,000. RV owners are also more likely than the general population to be homeowners with 85 percent owning their own home.
- The RV market is positioned to gain more owners as RVs grow more popular with younger buyers and as more baby boomers enter the prime RV buying years.
- The RV industry is investing heavily in marketing outreach efforts to recruit new owners. The centerpiece of this effort is the Go RVing national advertising campaign. Since being launched in 1997, more than \$178 million dollars have been invested to introduce consumers to RV travel and ownership. Over this time, it has produced more than 18 billion consumer impressions.

RV Financing Is a Great Opportunity

- Like any industry, the RV industry depends on financing to stay viable, and RV financing has been a large and active segment of the finance industry. The RV market offers financial institutions two very desirable qualities: profitability and stability.
- There are two primary lending vehicles in the RV market. Consumer retail loans provide consumers financing to purchase RVs from a dealer. Wholesale, or floor plan lending, provides capital to RV dealers to finance vehicle inventory.
- Both consumer and wholesale RV loans are included on the list of securities eligible for the Term Asset-Backed Securities Loan Facility (TALF) administered by the Federal Reserve Board to increase credit availability.

Consumer RV Loans

- Based on data from RVIA's *Survey of Lenders' Experiences*, the number of loans made to purchase an RV in 2007 was 170,479 and the total dollars funded was \$7.7 billion. The number of retail installment accounts was 588,800 and the total dollars outstanding was \$23.4 billion.
- 68 percent of these loans were for new units and 32 percent for used. The median amount financed was \$46,875 for new RVs and \$51,458 for used RVs. The average time on the books for new RV loans was 36 months and for used RV loans 37 months. The average down payment was 12 percent.
- The annual net charge-off of RV loans to year-end RV loans outstanding is .59 percent.
- Retail RV loans are very stable, historically having low delinquency rates compared to other types of consumer loans. According to a January 2009 press release from the American Bankers Association, RV loans had the lowest delinquency rates among other closed-end consumer loans through the third quarter of 2008.

Wholesale RV Loans

- RVIA's *Survey of Lenders' Experiences* shows that the dollar volume of RV wholesale loans in 2007 was over \$8.8 billion. Dollars outstanding were \$4.9 billion.
- The annualized RV inventory portfolio turns per year was 1.94 and the average unit value financed was \$33,715.

What is an RV?

- An RV is a vehicle that combines transportation and temporary living quarters for travel, recreation and camping. RVs are either self-propelled motorhomes or towable units towed behind a family car, SUV or pick-up truck.
- One of the unique aspects of the RV market is that there are vehicles for every taste and budget. Prices for new towable RVs range from an average of \$9,000 for folding camping trailers, to \$19,000 for travel trailers, to \$21,000 for truck campers, to \$36,000 for 5th wheel travel trailers. Average prices for new motorhomes range from about \$82,000 for type B and type C units to \$179,000 for type A motorhomes.
- Importantly, for the vast majority of RV buyers, the interest on the RV loan is deductible as second home mortgage interest. To qualify, the RV must be used as security for the loan and provide basic living accommodations such as sleeping area, bathroom and cooking facilities. Virtually all RV types are equipped with these facilities.

With a strong base of current RV owners, a growing pool of RV owning prospects, an aggressive marketing outreach effort and favorable consumer trends, now is a great time to be involved in RV financing. By becoming a source for consumer retail or RV wholesale loans, your institution will gain a profitable and stable line of business – and your customers and community will be well served as they look more and more to this unique form of travel and recreation.

For more information about the RV industry, visit www.rvia.org or GoRVing.com or contact: RVIA, 1896 Preston White Drive, Reston, VA 20191, (703) 620-6003

