

Congress of the United States

Washington, DC 20515

June 19, 2009

The Honorable Ben Bernanke
Chairman
U.S. Federal Reserve Board
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Chairman Bernanke and Secretary Geithner:

We write to express our collective concern that the Term Asset-Backed Securities Lending Facility (TALF) is not proceeding with sufficient pace or with sufficient participation within the non-auto floorplan asset classes. As Members of Congress who represent many marine manufacturers and dealers, we urge you to re-examine elements of the TALF program, and specifically the haircut schedule for non-auto floorplan asset-backed securities (ABS).

On March 19, 2009, the Federal Reserve Bank of New York and the Treasury Department announced an important change to the TALF Terms and Conditions that included non-auto, or mixed-collateral, floorplans as an eligible asset class under the program. We applaud this action given the pressing need to restore liquidity in the ABS market for wholesale financing in the marine and other non-auto sector. However, to date, there has been no issuance of non-auto ABS under the TALF program. As a result, this segment of the market has remained frozen and the cost of capital has remained high, causing continued closures of marine dealerships, a collapse of production of 60-80% in marine manufacturing, and substantial job losses nationwide.

The crisis in credit liquidity in both retail and commercial lending continues to severely deteriorate U.S. marine manufacturing and the industry's distribution chain. As a result of an escalating contraction of conventional wholesale lending, more than 135,000 boating industry jobs have been lost in the United States to date—these are middle class, well-paying jobs that have evaporated as a direct result of banks and financial institutions exiting the marine and recreation floorplan lending market.

We continue to believe that TALF is an essential program that can provide much-needed liquidity in the marine market. The lack of a non-auto floorplan ABS issuance, however, is deeply concerning. It seems clear that the current haircut level for non-auto floorplan is a major issue preventing the issuance of floorplan ABS under TALF. The current haircut for non-auto floorplan ABS for three years is 13%. In comparison, the haircut level is 8% for three-year auto ABS, 6% for credit cards, and 5% for SBA loans and student loans. It would appear that the current haircut schedule—intentional or otherwise—is causing an adverse selection within the marketplace against the issuance of non-auto floorplan ABS.

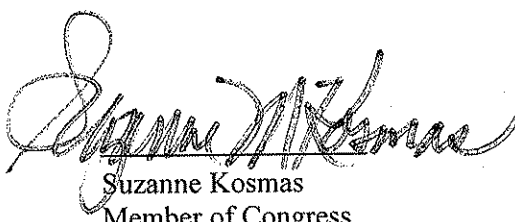
Historically, non-auto floorplan ABS has always been low-risk in comparison to other asset classes. This reduced risk is due to these loans being backed by hard assets, or collateral. It is also due to factors such as a manufacturer guarantee to “buy back” or repurchase the asset, the personal financial guarantee of the dealership owner, and the packaging of multiple assets types (e.g. marine, RV, motorcycle) into “mix-collateral” securities, which diversifies and disperses the level of risk. Additionally, these are AAA-rated securities.

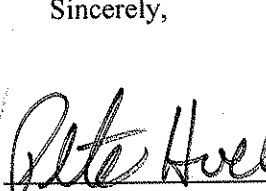
Given the clear lack of non-auto floorplan ABS issuance under the TALF program to date, we urge the the Federal Reserve and Treasury Department to re-examine the haircut schedule for non-auto floorplan ABS. Leveling the playing field within TALF would do much to enable the program to succeed

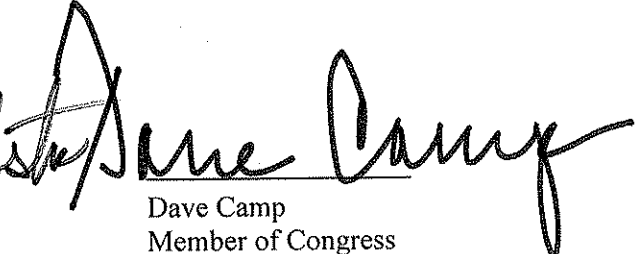
in key markets, like the marine industry, that are in desperate need of increased liquidity. The continued lack of participation for this asset class within the TALF program will result in further dealer and manufacturing liquidations and bankruptcies and deepen and lengthen the economic downturn's impact on the U.S. marine industry.

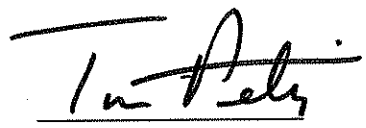
We appreciate your attention to this important matter.

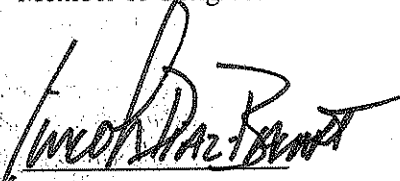
Sincerely,

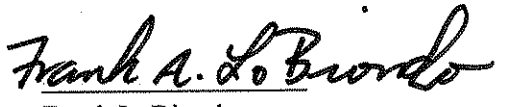

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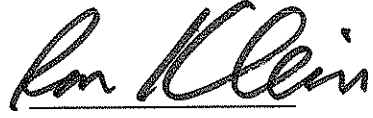

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