

## RiverWalk Resort at Loon Mountain Working Magic

By Sharon Scott Wilson, RRP

### DEVELOPER SPOTLIGHT

Online reviews of Inn Season Resorts Group's RiverWalk Resort at Loon Mountain in Lincoln, New Hampshire, show the resort has worked its magic to put visitors clearly under its spell. The breathtaking resort only opened in 2016, yet work on a third phase is already being planned.

Developer Dennis M. Ducharme, RRP, and Co-Developer William E. "Billy" Curran, have been working together since the mid-'80s. "Billy's company, Curran Management Services, used to sell us leads for our Cape Cod resorts, The Cove at Yarmouth and Holly Tree Resort," Ducharme says of those early days. In 2005, he and Curran decided to join forces to create InnSeason Resorts®, a regional brand of vacation resorts.

Ducharme is very active in ARDA and is Chairman of the association's ARDA New England chapter. He explains that RiverWalk has been sold as a fractional offering since its inception and only recently have the developers begun offering timeshare weeks. "We had fractional owners who wanted a lower-cost product for their adult children," he says. "One owner, in particular, has a son who didn't feel he could afford the higher cost of a fractional, which ranges from \$80,000 to \$250,000. His son says he will buy four weeks, now, and will eventually upgrade to a fractional. But the timeshare option is an affordable first start. The resort is so magnificent and he wanted to be a part of it." Colebrook is providing receivable financing for the timeshare sales.

At build-out, RiverWalk will have 170 units. "There are 80 so far. We're building 66 more in Phase II and are planning for another 24 in Phase III," Dennis adds. "We have sold 70 percent of our existing inventory and believe we are likely to run out in two more years."

He says there are very different strategies involved in selling timeshare versus fractionals. "Fractionals demand a very relationship-based sales approach. It's not a same-day sale, like timeshare. It can take a week or a month and perhaps two or three more visits before someone will make a decision. Our team will typically have many conversations with prospective buyers. Just this past weekend, I met with a visitor and took them to dinner, myself. We comped their weekend, of course. He wound up buying a whole unit, so it was time well spent."

Many TripAdvisor reviewers raved about the service at RiverWalk. After years in the hospitality business, Ducharme and Curran have fine-tuned a customer-centric system that their owners greatly appreciate.

The location doesn't hurt, either. The

project is ideally situated in the heart of a picturesque New England town and at the base of Loon Mountain. Visitors enjoy poking around in Lincoln in search of entertainment, restaurants, and adult or family-oriented activities. Taking a break from the resort, they can travel a short distance down the road and find themselves back in the mid-1800s with a visit to one of the five museums at Clark's Trading Post and the White Mountain Central Railroad. This family-oriented amusement park offers rides and adventures for all ages, as well as retail opportunities for the acquisitive. A trip to Lincoln is incomplete without sampling maple candy and watching the processing of fine maple syrup, in which case a visit to the award-winning Fadden's General Store & Maple Sugarhouse is in order.

RiverWalk caters to year-round visitors by offering on-site activities suited to every season, ranging from skiing to swimming at indoor or outdoor pools. For those times when guests are in a more languid mood, the resort's Solstice North Day Spa provides a soothing massage, facial, manicure, pedicure or a visit to the hair salon. One of Ducharme's pet projects was the Seven Birches Winery, which is located on the premises and produces wines from classic European grape varietals such as Cabernet Sauvignon and Chardonnay as well as locally-sourced fruits like blueberry and apples. TripAdvisor lists the winery among its "10 Top Things to do in Lincoln." Tours include a chat with the vintner, a special wine-in-progress tasting, a full-flight wine tasting in



RiverWalk developers Billy Curran (left) and Dennis Ducharme

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# ESJ Towers Survives Hurricane Maria

"You can live for a while without food," said ESJ Towers partner Rich Hartnett, "but without water you're dead." For several pressure-packed days last September, it was the job of Hartnett and Chief Operating Officer Craig Gangloff to make sure that roughly 1,500 people sheltered at San Juan's ESJ Towers had food, water, and a dry place to sleep.

Last August, Hartnett's biggest challenge was generating quality tours for timeshare sales at his San Juan resort, but when Hurricane Maria hit the island of Puerto Rico at full force, he and Gangloff became rescue workers, security officers, and commanders of Camp ESJ, responsible for protecting the lives of the company's guests, employees, and their families.

At two o'clock on the morning of September 20, the front doors of the property started bowing in, and soon the staff and the 348 guests could do nothing but hunker down in the stairways and wait, along with the rest of the island. A number of people hunkering down in San Juan were refugees newly arrived from St. Thomas and St. Martin after Storm Irma. They got to experience a second hurricane within a 30-day period, this one even worse than Irma.

"After the wind died down," said Hartnett, "we had a three stage plan. First you stabilize. Then you assess, and finally you rebuild." Stabilizing was perhaps the most difficult task, since the two main generators soon went down,

leaving the property with only an emergency generator, which operated the refrigeration system and the emergency lights. The service elevator was the only one operable and there was virtually no power on the upper floors. Nine of 11 cell towers were down and the only way for the staff to communicate was by battery-operated walkie-talkies. When Gangloff and Hartnett needed to get information to the occupants, they did it the old-fashioned way, gathering everyone in the lobby.

"The first questions were," said Hartnett, "Is everyone safe and are there any medical issues? Fortunately, we only had one. And then the tough question. Can we feed everybody?"

Knowing the storm was coming, the company had stockpiled food and water. That was fortunate because they were soon feeding 1,500 people a day. "We gave everybody two pieces of bread, a slice of bologna, a slice of cheese, a bottle of water, and either pasta or rice," said Gangloff. "If you were lucky, you might find a crumble or two of hamburger in your pasta. That was pretty much every meal."

Once people learned that ESJ had food and water, they were overwhelmed and had to turn some people away. "That was the hardest thing I had to do," said Gangloff. "We went to a wristband system—pink for owners, green for guests, black for rescue workers, and blue for employees and their families. That was all we could handle. When someone else came

along, we had to give them a couple of bottles of water and send them away."

People were sleeping on the floor of the lobby, the bar, and the restaurant. "They wanted to get to the air conditioning," said Gangloff. "We only had it on the first floor and the mezzanine." The bathrooms on the first floor were working but sometimes there were long lines. The laundries were shut down and water was eventually limited due to the sewage plants being without electricity to process waste. ESJ allowed guests to use the water in the rooms from 5-8 a.m. for showering and refilling containers.

ESJ maintenance personnel went to the upper floors to determine the extent of the damage. "If the bathrooms were blown out into the hallway," said Gangloff, "that meant that the hurricane shutters had been breached." Amazingly, the reinforced storm windows withstood the wind, but in many cases the entire frame had been ripped out, landing in the middle of the unit with the glass intact. "We put a mark on each door," said Gangloff. "A check mark meant the room was OK. A circle meant we couldn't get in. A circle with an 'X' through it meant the room was out of service."

ESJ was one of the first San Juan resort properties to get back on-line. "This building is a battleship," said Hartnett. Since most hotels were closed, ESJ became a headquarters for FEMA. "We had 12 National Guardsmen to a room," he said, "six cots against one wall and six against the other."

Hartnett was at the airport when rescue efforts commenced. "It was like something out of 'Good Morning Vietnam.' You could see the fear on people's faces, like they were thinking, 'just get me out of here.' Planes were taking off continuously." Many owners were trying to get out, and ESJ held their rooms in case they weren't able to get a flight.

In the days that followed, before power was restored, Gangloff and Hartnett learned an important lesson. "Fuel is the key," Hartnett said. "You've got to have fuel." Generators consume massive amounts of fuel, and aren't meant to run 24 hours a day for extended periods. Even with conservation and limiting use to certain hours, fuel was running low and the ESJ team had to find ways to replenish the supply. The highest cash price they saw was \$9 a gallon, and they wound up bartering food or kitchen time for fuel.



From left to right: Rich Hartnett, former Puerto Rican Governor Luis Fortuno, Jeff Carmichael, and Richard St. Clair prepare to distribute supplies flown in after the hurricane.

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*ESJ Towers Survives Hurricane Maria, continued from page 2*

Generators were a precious commodity and since they have to be operated outside, they were at risk. "Some people would go out with a lawn mower," Hartnett said, "and set it down next to a generator. They'd grab the generator and leave the mower there running so the people inside wouldn't notice the generator was gone. But that was the exception. In our building we didn't have as much as a laptop or a cell phone missing. This crisis really re-affirmed my faith in humanity." "There were no fights and no complaints," Gangloff added.

While the storm was raging and there was nowhere to go, CEO Keith St. Clair retreated to a closet in a friend's office and fished out some songs he'd written when he was an English rocker in the 1960s. While the winds howled, St. Clair sang and played his guitar.

When the winds died down and while Gangloff and Hartnett were passing out bologna sandwiches, St. Clair sprung into action. He chartered a plane to evacuate people with medical problems and worked closely with the foundation of former New York Yankee catcher Jorge Posada to bring much-needed

supplies to the island. That posed somewhat of a dilemma for lifelong Red Sox fan Hartnett. "He was the nicest guy," Hartnett said, "so different from what I thought of him when I was rooting against him." After nearly a half century of cheering for Boston, Hartnett finally realized that the Yankees are the most admirable team in baseball and may change his allegiance.

The Posada Foundation, with help from companies like ESJ, flew in more than 100,000 pounds of supplies and Posada contributed significant amounts of his own money to supplement Foundation funds.

The next step in the ESJ plan was to rebuild, and for that they needed insurance proceeds. "The most important lesson I learned," Hartnett said, "was that you absolutely need your own adjuster. Not using one is like going to court without a lawyer. I had the naïve opinion that the insurance company would be fair but quickly learned that their goal was to pay us as little as possible. Once we retained an adjuster, we were able to do much better. One of the things they discovered was that there was hidden damage. We were aware of the

damage we could see but what we couldn't see was that there was a significant amount of damage inside the walls. We received an initial payment from the insurance company but haven't signed off on a final settlement, and with the help of our adjuster I think we're going to be fine."

The other postscript to the story is that St. Clair is singing and playing the guitar once more. He will be putting on a benefit concert on June 28, expected to be attended by about 2,000 people.

Hurricane Maria was a once in a lifetime event—at least Gangloff and Hartnett hope it was. When they agreed to work for ESJ, they had no idea of the adventure that awaited them. One never knows how they will react in a crisis until it arrives, and both men, along with their staffs, came through with flying colors when they were needed. The property is now operating and sales are back to where they were before the storm hit. But after what everyone went through last September, selling timeshare doesn't seem as hard as it did before.

*RiverWalk Resort, continued from page 1*

the tasting room and a souvenir glass. Visitors can join the Seven Birches Wine Club for special privileges and discounts, with the wine delivered to their room or mailed home. The Seven Birches Barrel Club offers the ultimate in winemaking and wine ownership, giving wine aficionados the opportunity to custom-create a unique family vintage.

La Vista Italian Cuisine Restaurant, located in the RiverWalk, serves delicious Italian cuisine including pizzas from a bespoke wood-fired pizza oven. The culinary team bakes fresh bread every day, including their own house-made flatbread pizza crust.

RiverWalk Resort is situated between the two most critically acclaimed ski areas in the East—Loon Mountain out the back door, and Cannon Mountain just a few minutes to the north. Plans are in the works for a gondola to lift skiers in the winter and hikers in the summer directly from the resort to the heights of Loon Mountain.

The InnSeason team outdid themselves when it came to outdoor design. Ducharme mentions that there are two different pools and hot tubs, not counting the *en suite* soaker tubs in the units. One facility is an indoor/outdoor temperature-controlled pool with heated decks. But according to Dennis (as well as many TripAdvisor reviewers), the supreme achievement was creating the huge outdoor pool—a one-of-a-kind, 8,000 sq. ft. lagoon that holds 170,000 gallons of water! It's converted into an enormous ice skating rink in the winter on which the resort hosts performances by professional ice skating stars and former Olympians. According to MSN.com's list of the 30 best resort amenities throughout the world, RiverWalk's ice rink ranked number 16.

Last December, the Boston Bruins staged a fundraiser on RiverWalk's rink. The event was presented on behalf of New England Disabled Sports, a nonprofit that provides

adaptive sport instruction to students of all ages and abilities. Participants had a chance to skate and mix-and-mingle with the best of the Boston Bruins Alumni. Thanks to the magic of RiverWalk Resort and the support of the InnSeason Resorts Group, the event raised \$20,000 in one day.

There hasn't been a lot of new timeshare construction in New England over the past 20 years, and the industry was glad to see such a magnificent resort spring up in the White Mountains. One of the challenges of resort development in the Northeast is seasonality, but RiverWalk has all of the seasons covered. Ducharme and Curran are justifiably quite proud of their creation at the foot of Loon Mountain and look forward to the development of Phases II and III during the next few years.







## Maria Stublarec Joins Colebrook Financial

After what Colebrook CFO Jim Bishop referred to as “a five-and-a-half-year interview process” Maria Stublarec has joined Colebrook’s accounting area. Since 2012, Maria has been on lease from a local accounting firm on a part-time basis, and when Colebrook’s needs increased, she was asked to become a full-time employee. In addition to working on financial statements and banking relationships, Maria will be involved in the administration and funding of Colebrook’s timeshare clients.

A native of Middletown, Maria earned a degree in Computer Science from Bay Path University in Longmeadow, Massachusetts. For approximately ten years, she worked in insurance sales, before transitioning to accounting in the mid-1990s. An accountant with a sales personality fits right in with Colebrook’s emphasis on customer service.

Maria lives in Rockfall, Connecticut with her husband Steve and two children, Zack and Zoe. One of her toughest negotiating points when joining Colebrook was that she had sufficient time to attend Connecticut College soccer games. Zoe, a sophomore, is a center midfielder for the Camels after a stellar prep career at Choate/Rosemary Hall.

A happy, long-term timeshare owner, Maria’s work with Colebrook represented her first exposure to the business aspects of the industry. “I’m looking forward to learning a lot more about it,” she said, “and to meeting and working with Colebrook’s customers and bankers.”



## Forget Brad Pitt— Give Me Fred Dauch

### Colebrook’s Latest Lender Education Seminar Had a New Format



Brad Pitt was not asked to present at the Lender Education Seminar



Fred Dauch at Colebrook Lender Education Seminar

Colebrook’s eighth Lender Education Seminar was a little different from the first seven. There was a lot less star quality, although Fred Dauch was quite droll and witty in his presentation on underwriting. Rather than bringing in top executives from the timeshare industry, the panel for the eighth seminar consisted solely of Colebrook partners.

We began holding lender seminars in 2009, in the wake of the financial crisis, when financing was very hard to come by. It was important to establish the credibility of timeshare financing to attract new lenders. We did that by having speakers from the top companies of the industry, such as Craig Nash of ILG, Dave Pontius of Bluegreen, Don Harrill of Holiday Inns, Jon Fredricks of Welk Resorts, and Howard Nusbaum of ARDA, who led off every seminar with his dynamic update on the state of the timeshare industry.

The bankers who attended the seminars realized that there were some pretty impressive executives running the large timeshare companies, and we were able to interest a number of them in providing us with financing. Mission accomplished.

It is now 2018, the financial crisis is in the rear-view mirror, and we have 14 active banking relationships. The focus is to provide our existing bankers with the tools they need to underwrite and manage their timeshare loans and potentially expand their relationship with us. Therefore, after a hiatus of one year, we presented a celebrity-less seminar on September 19, 2017 that focused exclusively on the nuts and bolts of underwriting and administering timeshare loans.

Bill Ryczek led off the morning by presenting recent statistics on the state of the timeshare industry. Howard Nusbaum and Darla Zanini of ARDA supplied the material, although Howard was somewhat skeptical of Bill’s ability to fill the role he’d played so well for the first seven seminars. “Much too tall and not nearly handsome enough,” he muttered from Washington.

Fred Dauch spoke about underwriting—the key elements to look for, the risks to avoid, and the ways in which analyzing timeshare loans differs from the analysis of other types of transactions. Mark Raunikar talked about servicing and monitoring loans, and Jim Bishop finished off the session by discussing Colebrook’s financial structure and how it compares to the structure of banks.

At the end of the morning, Colebrook recognized Bob Sargeant, Executive Vice President and Chief Lending Officer of Meredith Village Savings Bank, who was planning to retire at the end of 2017. Bob worked with the Colebrook principals for about 20 years, and the latter thanked him for his strong support and wished him a long and happy retirement.

Thirty-six bankers attended, and were fascinated as only bankers can be by terms like “Sensitivity Analysis,” “FICO parameters,” and “Macro Payment Issues.” Feedback was very good, and the transition from the old format was so seamless that several attendees mistakenly addressed Bill as “Howard” during lunch. Given the enthusiastic response, we plan to present a similar session in 2018.



# BQ Resorts Acquires Highlands Resorts

**BQ Resorts**, a Colebrook customer since 2003, recently acquired the assets of Highlands Resorts, a Colebrook customer since 2009. Las Vegas based BQ, through its subsidiary Starpoint Resort Group, sells a multi-resort vacation ownership product under the Sapphire Resorts brand. The two Highlands projects, Sedona Pines Resort and Highlands Resort at Verde Ridge, both located just outside of Sedona, Arizona, will soon be added to the Sapphire family of resorts.

Mike Muldoon, CEO of BQ, was attracted by Highlands' long track record of successfully selling its two projects and by the possibility of providing his owners with access to the desirable Sedona market. "Thirty five percent of our current owners," he said, "are within a tank of gas of Sedona."

Getaways Resort Management, LLC, a BQ subsidiary, will manage both properties. Over the past several years, BQ has been aggressively and successfully pursuing management contracts, particularly after the acquisition of Alderwood Management Group in 2014. An organization that had no management contracts in 2012 now manages 32 resorts and

clubs with an aggregate total of more than 100,000 owners.

Todd Herrick, the former owner of Highlands Resorts, has numerous business interests in Colorado, including real estate and an outdoor adventure company, but says he has no immediate plans for further activity in the timeshare industry. "It was a great 20-year run," he said. But further conversation gave the indication that the timeshare bug has gotten under his skin, and the industry may not have seen the last of Todd Herrick.

Colebrook provided the debt for the transaction. As existing financier to both acquirer and acquiree, Colebrook was in a unique position to underwrite the financing. "We know both companies so well," said Colebrook's Bill Ryczek, "that we were able to structure the loan in a way that someone unfamiliar with the companies probably couldn't have. And the fact that we have a high level of trust in Mike Muldoon and his management team allowed us to structure a transaction suited to the unique collateral package."

"Consolidation is one of the biggest risks

to our business model," Ryczek added, "and if one of our customers was going to be acquired, better they be acquired by another of our customers."

The acquisition was not a spur-of-the-moment decision. More than three years ago, BQ began negotiating with Highlands for the potential purchase of the company, but the transaction never came to fruition. "We waited a while," said Muldoon, "and when the timing was right for all the parties, we proceeded."

BQ is an interesting company. In 2013, TZP Group, a New York based private equity firm, acquired an equity interest in BQ, which since that time has been able to grow and operate effectively with a blend of Wall Street and private ownership.

Muldoon is a classic entrepreneur, with an idea a minute and the next project always in focus. That type of thinking doesn't usually blend well with the number-grinding Wall Street mentality. As a lender to the company for 15 years, Colebrook has seen the manner in which bold entrepreneurial ideas have been buttressed rather than paralyzed by deep

analysis. Muldoon attributes this to mutual respect, trust, a collaborative relationship, and the notion that while the partners need to be comfortable with the firm's direction, the CEO's role is to provide strategic direction and ultimately, execution. "We operate in complete unison with respect to processes, values, principles, expectations and belief systems," Muldoon said. "They supply the fuel, but you can only have one person at the wheel driving the car." Anyone who knows Mike Muldoon can guess who's at the wheel.



Verde Ridge Resort,  
Cornville, Arizona

# Colebrook Financial Is Looking for a Few Good Travel Club Operators

By Bill Ryczek

Travel patterns are changing, and one of the biggest challenges for the vacation ownership industry is developing products that suit the needs of today's travelers. The fixed week timeshare product is becoming extinct, and one of the products that has increased in popularity is the "travel club."

Travel clubs are not technically a timeshare product, although some are at least partially backed by inventory owned by the sponsor. There are also vast differences between travel club offerings, although most sell either RCI or II points or provide a password to a website that gives the user discounts on hotel rooms, airfare, and other travel products.

We've been financing timeshare receivables forever, and travel club financing is similar, so we thought we'd investigate the possibility of expanding in that market. For many years, we've financed Global Connections, which has been featured in previous editions of the Chronicle. Our experience has been excellent, and we have not experienced any collection problems due to customer dissatisfaction or non-delivery of the product.

The travel club industry cuts a wide swath; companies like Global are at the top and at the bottom are scammers that use misleading and unscrupulous sales tactics and offer a product without the promised benefits. Because of some of the problems experienced in the industry, most existing financing is expensive, based upon the notion that it involves an inordinate amount of risk.

In order to offer more competitive pricing, due diligence and customer selection became critical. If we could identify the best operators and maintain strong consumer qualification standards, we believed we could generate some good business and give the operators better terms than were currently available in the market.

The two keys to the performance of travel club paper are, like most other point-of-sale financing, the quality of the product and the way it is sold. There are several packaged travel products on the market, and products that are customized by an individual seller, usually timeshare developers selling an exit product.

For several years, we've been following the Save-On Resorts product. We have a number of customers that sell it as a complement to their timeshare sales, and we've not heard of any material problems. We'd also heard from developers that Save-On's management was smart, responsive, and good to work with.

Last fall, I was visiting Stay Sky Resorts and talking with Randy Steinbeck. Randy was telling me how well Stay Sky worked with Save-On and it got me to thinking. If we became comfortable with Save-On that would satisfy the product side of the equation. Kevin Schneider, the CEO of Save-On, walked us through his demo, and we liked the way it worked. We tried to book a few stays, and sure enough we achieved the promised results.

If we limited our financing to RCI Points, II's Interval Gold program, and Save-On, we believed we would be OK on the product side.

Then came the second part of the equation, finding operators who sell the product honestly and have a track record of success. It doesn't take much capital to get into the travel club business, and therefore there are a lot of shoestring operators out there. We want stability—someone that has their own sales center rather than renting space in various hotels. We want someone who ideally has been selling the Save-On product for a reasonable period of time, or at least successfully selling a similar product.

We expected to sort through a lot of applicants to find the right ones, and we weren't disappointed. Most of the people who contacted us were about to launch, while we were looking for someone already in orbit. But after talking to a number of people, we found two sellers we thought we'd like to do business with; we met with them, got a comfort level, and talked about moving to the next step.

Both transactions were aborted over the same issue—a personal guaranty by the principals that defaulting notes would be replaced. Neither was willing to sign personally, although neither business

entity had meaningful financial strength. The same experience on two separate occasions made us step back and think for a moment. As someone who's been personally on the hook for large amounts of debt, I understand what it means. Closely-held businesses are generally a function of management, and as a lender my philosophy has been, "Nobody knows more about your business than you, and if you don't believe in what you're doing, why should I?" And as a friend in my situation says when asking for personal guaranties, "If I lose my house, I want to have a place to live."

Financiers that don't require a personal guaranty generally advance less money and charge higher rates. We thought that the ability to get a better deal would be attractive, and worth giving personal recourse. After all, if the company is successful, the guaranty will never be called upon. We still believe well-structured travel clubs will grow in importance and that there are solid owners out there who are willing to stand behind what they sell in order to increase their income. If you're out there, we'd like to hear from you.





## Vacation Club Loans Tackles the Resale Financing Market

Debbie Ely gave up a career in the movies to get into the resale financing business. That's how enthusiastic she is about her company, Vacation Club Loans, and the prospects for financing timeshare resales.

After graduating with an accounting degree from Florida Atlantic University, Debbie ran her own accounting business, and one of her largest clients was Tricom Pictures, a Pompano Beach company that produces educational films. As Tricom grew, they convinced Debbie to join them as an employee, and when they set up a second company, Northbridge Productions, she became the Operations Manager for Northbridge.

After a brief hiatus to raise her son, Debbie was looking to re-enter the workforce when she had a chance encounter with an acquaintance whose boss, grizzled timeshare veteran Bert Blicher, had re-located his business from Pennsylvania to Florida. The acquaintance didn't want to move to Florida and told Debbie she should inquire about the job.

"I knew nothing about timeshare," she said. "Had never even been on a tour. Never stayed at a timeshare resort. Nothing." The fact that she lived in Florida and managed to avoid taking a timeshare tour must have impressed Bert. Debbie convinced him that she was a fast learner and a hard worker. "Besides," she added, "accounting applies to all fields. Debbie started working for Blue Water Resort in April 2007 and began a crash course in the timeshare industry.

While there was a lot of activity at the company's Nassau resort, the Florida administrative operation was relatively small, and Debbie was exposed to all aspects of the business. "Bert is very entrepreneurial," she said, "and we all wore a lot of hats. I learned a lot, and one of the biggest lessons for me was that the product was much more flexible than I'd thought it was. I envisioned timeshare as a one-week, one-property deal for an older generation, and I was surprised to learn how many different ways time can be used."

After Blue Water became affiliated with Bluegreen Corporation, sales accelerated and most of the inventory was sold, leaving Bert and Debbie looking for the next challenge, which turned out to be the acquisition of Timeshares Only and Fidelity Real Estate, two

timeshare resale companies. Not many businesses are as challenging as timeshare resales, and Debbie soon realized, thanks to Bert, that one of the difficulties in making a resale was that there really wasn't any effective financing. "I'd be at Fidelity listening to the calls," Debbie said, "and I'd hear a prospective buyer say that they could only pay \$5,000. The salesman would then have to find a seller willing to let their interval go for \$5,000. If there was financing, I'm sure he could've gotten the customer to pay more than \$5,000. If it wasn't a 'cash-and-carry' product, prices could be higher." As a former chairman of ARDA, Bert also saw financing as a way to counter the image problems resales were creating for the timeshare industry.

Identifying a need for financing is one thing. Convincing brokers and buyers that financing will help them is another thing altogether. Once VCL was formed, the next step was to get referrals from brokers. Since they controlled two resale companies, they had a running start, but it still wasn't easy. "I thought it was the greatest thing to happen to the industry in ten years," Debbie said, "but none of the brokers were interested. They'd say, 'It's not necessary—everybody just pays cash' or they didn't want to add impediments to the sales process." And part of the difficulty is that it's just plain hard to get anyone to change the way they do things.

One at a time, broker resistance began to break down. "They realized that this person wasn't going away," Debbie said. "And they realized the process isn't difficult at all. There are no agreements between VCL and the broker except for a non-disclosure agreement to keep client information confidential. Our relationship is with the individual customer and most of the work is done through the title companies."

There are bad actors in the resale business, and Vacation Club Loans is diligent about which brokers can refer loans. "We check to see that they are licensed in the state in which they're doing business. We monitor on-line reviews, and we deal with a handful of good title companies to make sure everything is done right."



Debbie Ely, President,  
Vacation Club Loans

The performance of the VCL portfolio has been outstanding, which we at Colebrook can attest to since we provide the company's financing. "I think that's

a function," Debbie said, "of the fact that these loans take about 60 days to close, rather than the same day closing for developer sales. After a two-month process, the buyer is committed. And we get ACH authorization from 100% of the customers, so we don't have to worry about them sending checks or about credit cards expiring. All of our payments are scheduled for the 15th day of the month. Most people have a mortgage or rent payment due on the first, and by hitting the account on the 15th, we're not lined up behind a big payment."

From ground zero in 2016, volume has grown impressively over the past two years. The company has funded about 400 loans, and 2017 volume was roughly 300% above 2016 levels. Debbie projects that 2018 volume growth will be similar. Four hundred loans aren't a lot for a front-line developer, but it is probably more resale loans than any other company has done in a similar period during the forty-year history of the timeshare industry.

When she's not busy revolutionizing the timeshare resale market, Debbie runs the Southeast Florida section of ARDA-WIN, an ARDA sub-group that promotes and advocates for women in the timeshare industry. "We have young up-and-comers," Debbie said, "and we have more experienced women who mentor them." Which group does she fit in? "I think I'm right in the middle."

Debbie Ely is also in the middle of a new type of financing that could change the resale market. "One of the things I look at carefully," Debbie said, "is the average loan amount. If it goes up from year to year, that means that resale prices are increasing, which is good for the entire industry." The average loan has gone from \$8,209 in 2016 to \$10,320 in early 2018, which is good news for the industry, and very good for Vacation Club Loans, a new company tackling an old problem in a very different manner.



## Sales Up, but Delinquency Ticks Up as Well

### Fourth Quarter 2017 Timeshare Industry Statistics

The ARDA International Foundation recently released its "Pulse Report" for the fourth quarter of 2017, prepared by Deloitte and Touche LLP. Seventeen large companies responded to the survey, and the results showed that sales (excluding fee for service sales) were \$1.6 billion, up 2.5% from the fourth quarter of 2016. Four of the respondents were selling the product of others under fee for service arrangements, and those sales were 23.5% higher than a year earlier. When fee for service sales are added to the total, the result is a 4.7% overall increase in sales.

Fourteen companies provided a breakdown between first generation and in-house sales, which showed that 42% of sales volume came from new owners and 58% from existing owners. The number of tours was up 3.8%. The respondents are industry leaders, and Colebrook's observations among our client base is that there is a lower reliance on in-house sales, and that tour flow is a difficult proposition. If tours are up, they are generally more expensive, and tour quality remains an issue.

The percentage of receivables that were current was 0.5% less than a year earlier and

the level of charge-offs was up 0.2%. Despite the fact that interest rates have risen over the past year, there was no change in the average interest rate charged to consumers, which remained at 13.6%. Rates on timeshare purchase money loans have always been remarkably resistant to changes in the interest rate environment. As borrowing rates rise, it is likely that the developers' arbitrage income, which is an important component of profits, will decline slightly.

