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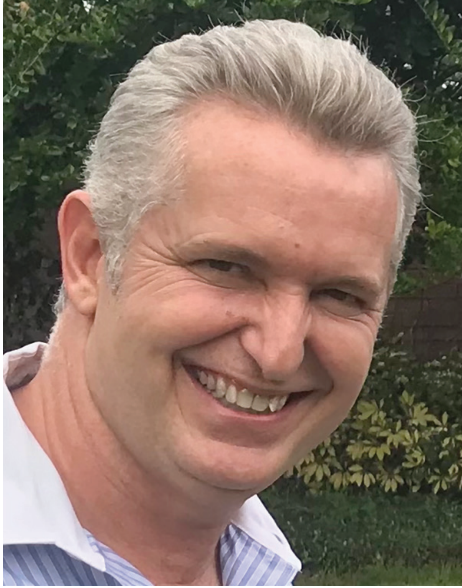
Your source of current trends and developments in the timeshare industry.

Cooked in Sight—Must be Right

Latitude Vacation Club CEO Cecil Latta



When people talk about their lengthy work experience, those who are sensitive about their age jokingly add, "Of course, I was nine years old when I started." If Cecil Latta tells you that, he isn't stretching the truth. His father, Cecil, Sr., built and operated four restaurants in the Miami area, and from the time our Cecil was nine, he was working in the kitchen. "My father really knew how to market," Cecil said. "He had mirrors that angled into the kitchen so the diners could see the meals being prepared and his slogan was 'Cooked in sight, Must be right.'"

"He had a knack for bringing the community together. When the Dolphins won the Super Bowl, everybody ate for free at Latta's the next day. All first responders ate for free as often as they liked. Being in the restaurant was great for me because from the time I was a boy, I was always in the public eye."

Like so many of us, Cecil found his career by accident. His sister Brenda was a teacher and he intended to follow in her footsteps. While attending college, he obtained a Florida real estate license with the intention of teaching for nine months and selling real estate during the summer.

"I decided to take a break from school," Cecil recalled, "and answered an ad for real estate sales. It turned out to be a timeshare resort called Fantasy World. They told me that if I just closed two sales a week, I'd make $60,000 a year. That sounded like a lot of money. I was in. You know what they say about the timeshare business. Once you check in you can never check out. But at Fantasy World I wasn't selling. What they were telling me to do was the opposite of what my father always taught me about marketing."

Cecil left Fantasy World and went to First Continental, whose CEO was the legendary Hillie Meyers. He started as an OPC representative, soliciting customers at the International House of Pancakes. "I love talking to people," Cecil said. "I was always one of the top producers. Then I toured the property one day. I thought, 'Wow! This is beautiful! It had waterways, a great clubhouse and beautiful accommodations. I loved it.' They found out I had a real estate license and said I shouldn't be in the OPC business, I should be selling."

After two years in sales at First Continental, Cecil was looking for a challenge. "In any business," he said, "there's something you strive for, and in those days, I thought that if you could somehow get on the Westgate in-house line, you'd made it to the top of the mountain." It didn't take long for Cecil to reach the peak, and it wasn't long before he made the acquaintance of Westgate CEO David Seigel, who had been a motorcycle policeman in Miami many years earlier. "He told me he ate over 200 meals a year in our family's restaurant."

Cecil was a member of the team that started Tempus Resorts in 1998, and he remained there for more than ten years. Coming from an entrepreneurial family, Cecil had long harbored the idea of opening his own business. He went to work with El Cid in Riviera Maya in the beginning of 2012 and encountered several people who continued his education about running a business. "Curt Knipe was the one who mentored me and brought me to El Cid," he said, "as well as Carlos Berdegue. Carlos taught me to have my finger on the pulse of every aspect of the business, to know everything that's going on. He also told me not to sit in a glass office, but to be available, walk around, show gratitude and appreciation to all of my team members."

A fishing trip with industry icon Jim Lambert provided further illumination. "He was a true inspiration," Cecil said, "a sales and marketing person who became a developer. We caught a lot of fish that day kite fishing and I picked his brain for eight hours about everything I could think of."

By 2012, Cecil was ready. He returned to the U.S. and on his wife's birthday founded Latitude Sales and Marketing, LLC, which contracted to handle marketing and sales for timeshare developers. "I'd learned a lot," he said. "I was ready to roll the dice and jump off the cliff."

Latitude's first big contract was with Summer Bay Resort in Orlando. He hadn't been there long when the resort made headline news throughout the world. It wasn't Latitude's sales efforts; a sinkhole on the property swallowed an entire building.

"People were calling me, saying, 'Oh, Cecil, I'm so sorry. That's terrible luck.' I said, 'Are you kidding? Our sales are going to take off.'

(continued)

"I was ready to roll the dice and jump off the cliff"

Cecil Latta*, continued*

We told prospects they would get a behind-the-scenes look at the sinkhole, something the media wasn't even being allowed to see. They'd brought in a team of experts to inspect the property and see whether there might be more sinkholes. When they determined there weren't any, I was able to tell people that we were the only project in Orlando that had evidence that our project was completely safe. Finally, our public safety team did such a great job of handling the situation and preventing serious injury that it showed how much we cared for our guests." Who could resist that sales pitch? As Cecil predicted, sales went up. "It's not the cards you're dealt," he said. "It's how you play the hand."

Over the next few years, Cecil operated under sales and marketing contracts with Orlando developers. At the same time, he was developing a powerful digital sales and marketing application. Cecil learned two lessons in those days. The first was that he could make money as an independent sales and marketing company. "The other thing I learned," he said, "was never to do a deal under a contract for less than ten years. I was working on two-year contracts, but it takes you some time to get rolling, and when you increase someone's numbers, they have a tendency to think that they can continue doing what you're doing, but without you. Invariably, they find it's not that easy, but by that time we've both moved on."

The next step was creating and selling Latitude's own travel club product, (Latitude Vacation Club) from a sales site in Miami. During that period, veteran timeshare marketer Rich Hartnett, who had known Cecil and Bill Ryczek of Colebrook Financial for many years, introduced the two. Bill visited Cecil in Orlando, got to see his sales and marketing presentations and his OPC locations, and got to know Cecil. Colebrook got to know him a little better when he began working with Colebrook customer ESJ in San Juan. "We more than doubled our tours after Hurricane Maria," Cecil said, "and doubled our sales."

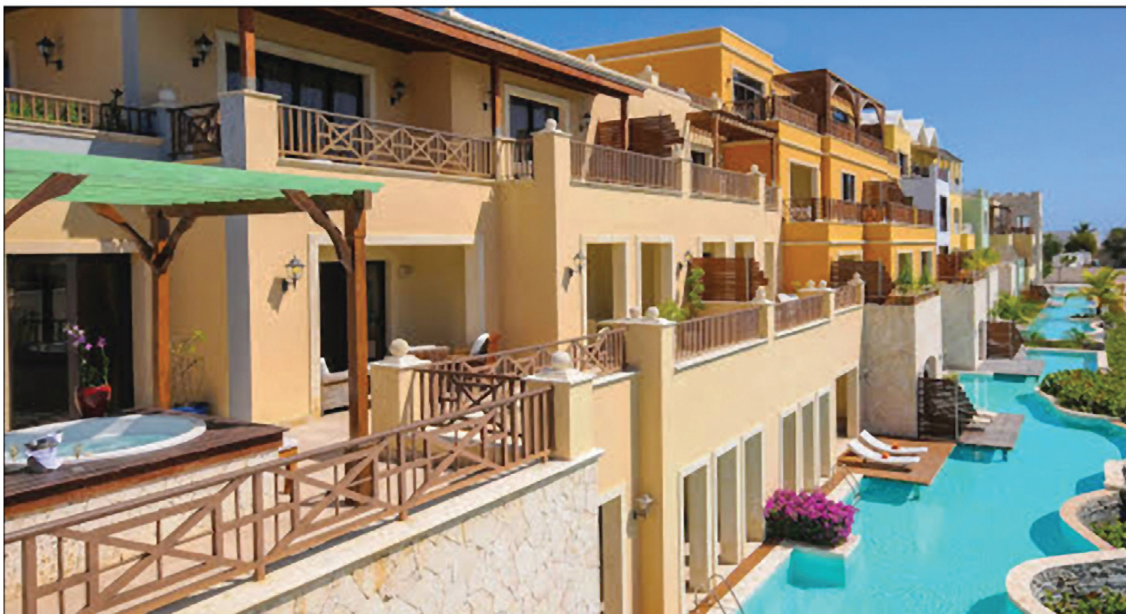
On March 11, 2020, Cecil had a fateful meeting with Benny Guevarra, a major developer in the Cap Cana project in the Dominican Republic. The two discussed the possibility of Latitude developing a vacation product for the Cap Cana property. "Four days later," Cecil said, "the world shut down. But we kept talking and signed a deal with Benny in the middle of the pandemic." It takes more than a sinkhole or a worldwide pandemic to discourage Cecil Latta, and he proceeded to structure Latitude Vacation Club Plus featuring Ancora Cap Cana Marina Resort and Villas, set up his marketing operations, get his sales team ready, and close a receivable loan with Colebrook. "We appreciated the fact that Colebrook was able to finance a product that was a little different, and because of the pandemic, they did it sight unseen."

Cap Cana is a remarkable destination. "There's nothing like it," Cecil said, "it's twice the size of Manhattan and, as Benny told me, Punta Cana is the French Riviera and Cap Cana is Monaco. They have a world class equestrian center called Los Establos, an Eco Park called Scape Park, a Jack Nicklaus Signature golf course called Punta Espada (Number 1 in Mexico and the Caribbean since 2011), and one of the largest inland deep-water marinas in the Caribbean featuring the number one Bill Fishing spot in the world."

Listening to Cecil tout his product, it's hard to believe anyone says no. "The three most important areas of anyone's life," he says, "are family, health, and finances. Taking vacations improves all three areas, and we offer people the opportunity to buy tomorrow's vacation at today's prices."

"It's all about my father's slogan—'Cooked in sight—Must be right.' My customers, my employees, and my business partners can see everything I'm doing. I'm on the sales floor. I talk to the customers. I talk to the staff. I'm accessible. If it's cooked in sight, it must be right."

Note: Cecil Latta is a great salesman, and like any top salesman, he can close. To see him close the best deal of his life, go to the on-line version of the *Chronicle* at https://www.youtube.com/watch?v=uYgUnBhSGD0&t=1s and click on the link embedded in this article.



Ancora Cap Cana Marina Resort is one of the most beautiful spots in the Caribbean.

***Destiny**, continued*

Tom served on the Board of Directors of the U.S.-based arm of the organization, and the Petriskos continue to provide financial support to a couple of the children they've met over the years. One just finished school and hopes to go to college in the United States. If he is successful, he will probably live with the Petriskos.

New Britain, Connecticut is a long way from France and Uganda, but Tom and Anna Petrisko have bridged the gap, making friendships that have endured for several years. It's likely there will be more adventures and more friendships in the future, but who knows when and how. As Anna says, "It's all destiny."

Financing for Re-Purposing Transactions

by Bill Ryczek

There's been a lot of talk lately about legacy resorts and the need to re-purpose those projects that have reached the end of their useful lives as timeshare properties. It was the hot topic at the 2021 ARDA Conference, with several companies in the process of converting old timeshare projects into apartments, hotels, whole unit condominiums, or mixed-use properties. What makes re-purposing different from new development projects is that nearly every conversion has its own nuances. Location, ownership format, legal structure, the condition of the Homeowners' Association, and other variables make each process unique.

Most re-purposing projects are initiated because the HOA is struggling financially. That leads to a conundrum since that badly strapped organization must come up with the funds to cover ongoing operating costs, legal expenses, renovation costs, and all other expenses associated with the conversion.

Some conversions have been financed by special assessments and others by equity investors, who put up all the money in return for a sizable share of the end proceeds. To this point, there has been precious little interest in re-purposing projects from the lending community.

As an independent finance company, Colebrook can pivot more quickly than large institutions. We were an early lender to points-based clubs, we lend to HOAs and on the security of management contracts, and we're always trying to keep up with changes in the timeshare industry. Re-purposing is the most significant new change, and we've started making loans to companies engaged in the process of transforming older resorts.

Since no two transactions are alike, the financing varies to conform to the situation. The borrower is typically a company that has re-purposing experience and knows the drill. Underwriting involves measuring the degree of difficulty in creating the new product and the eventual marketability of that product. If there are no insurmountable title problems and we're dealing with prime waterfront property, the odds of success are very good. Deficiencies in property condition can be rectified, but location cannot. The ability to obtain marketable, insurable title is usually a function of structure and the state laws governing the process.

If the project appears to be viable, the next step is to determine how much money is needed and what collateral is available. If the borrower has traditional collateral from another source, the process is relatively easy, and terms will probably be favorable. If the collateral is related to the conversion, it's more complicated because the form of the collateral is in transition. While the end product may be individual condominiums, an apartment building, or a hotel, that's usually not the form the collateral is in when the initial funds are advanced; at that point the collateral probably consists of a lot of timeshare intervals owned by the HOA, individuals, or a developer. A lender can take a security interest in the individual intervals, but in that fragmented state they probably aren't worth much. The decision, and it's very subjective, is how much money should be advanced and how long can one wait before the collateral assumes marketable form? When will the checkerboard of intervals begin to morph into whole units?

The title company is a key player in any re-purposing project. If the ultimate goal is to sell the property, either in total or as individual condominium units, title to the eventual purchaser must be insurable. The borrower, lender, and title company should have a good advance understanding as to what will be required to make the title insurable. Virtually every legacy property has title issues buried somewhere, and the requirements to clean them up must be identified, along with the timeframe and cost to do so.

Then comes the time-consuming, detail-oriented process of acquiring title from hundreds or thousands of timeshare owners, some of whom are dead, missing in action, suspicious, or sense a reward if they hold out. The carrot and stick that often motivate owners to sign are the promise of a share of the ultimate sales proceeds if the process is successful and the threat of a large special assessment if nothing is done.

There isn't usually any mortgage debt associated with legacy timeshare properties, and the upside of most re-purposing projects is that the ultimate sales proceeds, less the costs associated with the process, should be sufficient to pay the lender, compensate the facilitator for its efforts, and provide a distribution to timeshare owners in good standing. Since the costs of the transaction are nowhere near the cost of constructing a new project, the loan to the "as completed" value ratio should be relatively low, generally less than 50% and sometimes much lower. The conservative loan to value is what makes this type of financing viable, since it allows for blips in the process—and there *will* be blips in such a complex, detail-laden process. The lender's risk is that they won't wind up with the end product that gives them that low loan-to-value ratio, but with a hodgepodge of timeshare intervals plagued with title problems.

If you think direct lending for a re-purposing project is a risky proposition, you're correct, which is why it's priced higher than mainstream product types, often with an equity kicker of some type.

Every product has a life cycle. During the initial, experimental stage, lending is risky, the structure is cautious, and yields are higher than for proven loan types. Over time, people learn how to smooth some of the risk off the process and lenders become more comfortable making loans. With each re-purpose loan we learn something new, refine the lending process a bit, and get a little more excited about the potential of this emerging market.

(This article originally appeared in *The Resort Trades*).

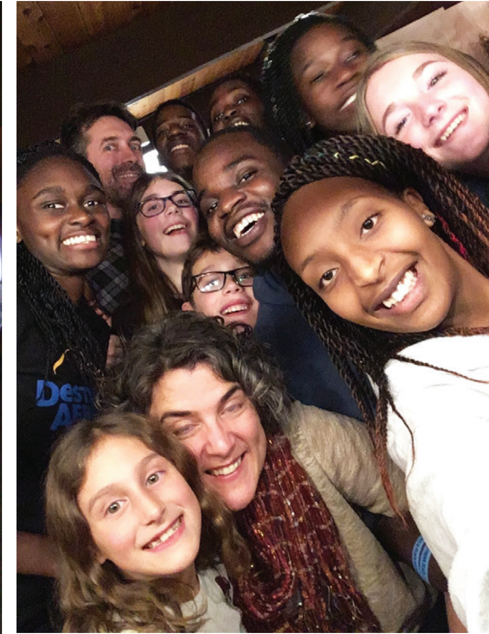
DESTINY

One day in 2011, Tom Petrisko did something that finance professionals frequently do. He took a train to New York City for a job interview. When the interview ended, he did something most finance professionals never do; he went to Uganda House on 45th Street, home of the Permanent Mission of the Republic of Uganda to the United Nations.

Tom didn't have an appointment but managed to talk his way inside and deliver his pitch, which was promoting the fund-raising efforts of Destiny Africa, a musical group of young Africans. Thanks to the miracle of modern technology, Tom was able to share a video of the group's performance on his phone. "The woman I showed it to actually began crying," Tom recalled. She invited the group to perform at the United Nations. "How they let them in with all their drums and everything I can't imagine," said Tom's wife Anna, "but they did. They played at the UN, they played at Yankee Stadium, and even at our local New Britain Rock Cats game." To learn how Destiny Africa came to be in New Britain, Connecticut, read on.

For nearly 15 years, the Petriskos, who have four children of their own, have been helping young people from other countries. They began in 2008 by taking in an exchange student from France. "I have no idea how we first thought of it," said Anna, "but I've always believed that if you start to do something and there aren't a lot of obstacles in the way, then you were destined to do it." They replied to a solicitation, reviewed several applications, and selected an 18-year-old French girl named Coline. For the next nine months, the Petrisko family consisted of Tom and Anna, Coline, and the three Petrisko children, all under the age of five.

"It was a great year," Anna recalled. "She became like a big sister to our children, and we did so many things as a family, including going to Disney World (a favorite Petrisko destination). The best part about having Coline with us was that it broke down stereotypes on both sides. Before she came here, she thought Americans were overweight people who sat in front of their televisions and ate fast food from McDonald's.



The Petriskos and their French exchange student at New York's Rockefeller Center (left) and with members of Destiny Africa (right)..

When we told our friends we were hosting a French student, they'd say, 'Why are you doing that? The French hate us. They're rude and snobby.'"

The Petriskos provided a good example of a stolid American family, dispelling Coline's notions of the Ugly American, and she disabused preconceived American judgements about the French. Tom and Anna have kept in touch with Coline over the years and have twice visited her family in France.

A couple of years later, destiny struck once more—literally. "Again," said Anna, "we kind of fell into something. We saw an announcement about a concert by a group called Destiny Africa, and it sounded interesting, so we went."

Destiny Africa had a remarkable genesis. It began in Kampala, Uganda when a gentleman named Arnold Muwonge became friends with a local woman. When she died at a young age, Muwonge was astonished to find that she had left her four children in his care. When he went to the government office to take formal custody, he wound up with two additional children who had no one to care for them.

Those six children were the beginning of the Kampala Children's Center, a home that rescues children from war-torn areas and orphaned situations and has grown to encompass hundreds of young Africans. "Children in Uganda have been through such trauma," Anna said. "Some have seen their parents murdered or die from disease, and you find some families where the head of the family is a 10-year-old who cares for the younger siblings. The Center used music as therapy, with the house mothers singing with the children, which expanded to dancing and drumming."

The group began visiting the United States and England to raise money for the Center. When they made a stop in New Britain, Tom and Anna became a host family. "We started with two children and one adult," Tom recalled, "and then we had three, then five. By the third tour we were fully involved, with five or six people staying for multiple weeks." "We kind of became groupies," Anna added. "We followed them around, going to their concerts, taking them swimming, and inviting them over. We had more than 20 people at our house for Thanksgiving one year."

The relationships have given Tom and Anna a greater understanding of the hardships of Ugandan life. "We have a refrigerator," Anna said, "that dispenses ice water from the door. One of the adults was using it and said, 'Someday we'll have this in Uganda.' I said, 'you mean a refrigerator like this?' He said, 'No, someday we'll have running water.'"

"When they were here," Tom said, "I had a new experience. I'd never been to a pawn shop, but when people come here from Africa, they want to get the latest electronics, and they think pawn shops are the best places to go. We hit four or five in one day." If only one could buy running water at a pawn shop.

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Excitement Galore at ARDA Conference

Absence indeed makes the heart grow fonder, and the return of the annual conference of the American Resort Development Association after a one-year hiatus proved one of the most enjoyable gatherings in recent memory. There were several reasons to be excited. First, after a year in lockdown, it was great to be *anywhere.* Second, industry stalwarts discovered they missed seeing each other, and it was a joy to re-connect on a social level. Children and grandchildren have been born, graduated, married, and employed, but none of us have grown a day older.

The social aspects of the conference were enjoyable but even better news is that consumers appear as excited as developers about their newly-regained freedom. Most companies reported strong sales, robust rentals, and higher-than-average closing percentages. Their biggest problem is finding employees. It was evident from staying at the hotel, which seemed to feature the same waitstaff at every meal, that the hospitality industry has serious staffing challenges. Perhaps all the prospective employees are traveling and buying timeshare intervals.

We weren't sure what to expect when we registered for the conference. The word was that attendance would be light, and we thought we'd play it by ear. We didn't get our usual hospitality suite; we'd see how many meetings we could schedule and not worry about filling every time slot.

It turned out that we were as busy as ever, with meetings just about every hour. Attendance was greater than anticipated and it seemed as though everyone has ambitious plans. There were new projects, new sales centers, new products, and new ideas for existing products and projects. We discussed several potential financing opportunities and will be surprised if at least one or two don't result in closed transactions.

One of the most interesting aspects of the conference is piecing together several conversations to make a complete story. Inevitably, two or three different people tell us confidentially that they are acquiring the same company. Or we hear a relieved developer tell us how he rid himself of a chronic problem property, followed by a meeting with someone who is bubbling over about a great new property they just acquired—of course they are one and the same.

The more serious stories that came together were that many companies are focusing on legacy properties, most with the idea of repositioning at least a portion of them for non-timeshare use. Selling timeshare intervals is no longer the primary goal of many companies. They are interested in rentals, management contracts, flexible travel club products, and a few other things. The old model of building condominiums and selling timeshare intervals is dominated by brands, with only a few independents sharing the space. Designing a travel product for 21st century travelers is the watchword, and denizens of this century seem less concerned with owning tangible assets and more interested in flexibility, either through a travel club product or something that looks like timeshare but has a few new wrinkles.

At the annual conference, we learn what's happening in the industry. Our job is to try to stay relevant, determine what loan products the industry will be looking for during the next year, and how best to serve those needs. *We're on it!*

Returning to Normalcy

Timeshare Industry 2nd Quarter Statistics

Trying to evaluate industry trends during a period of great upheaval is a tricky proposition. Therefore, when reporting on second quarter developments in the timeshare industry, Deloitte compared 2021 results with those of 2019 as well as 2020. The general trend is that 2021 is much better than 2020, when most of the industry was shut down, but not as good as 2019, when operations were proceeding under full steam.

Sales of the surveyed companies were $1.6 billion for the quarter, far exceeding 2020 results but 29.3% below those of 2019. Tour flow is down 52% from 2019, but Volume per Guest (the most widely used measure of sales efficiency) has increased from $2,908 in 2019 to $4,168 in 2021, a remarkable change that developers attribute to the fact that prospects touring today are highly motivated travelers and more likely to purchase vacation products. Further, lower levels of tour flow require fewer salespeople and therefore the sales personnel are more skilled.

Portfolio performance is slightly improved from 2020 and slightly worse than 2019. Current accounts were 89.4% in 2019, 86.6% in 2020, and 87.7% in 2021. Charge-offs were 7.3% in 2019 and 7.9% in both 2020 and 2021. Occupancy was strong, as the 2021 level of 79% was well ahead of 2020 and slightly above 2019 results. While the ARDA report does not include rates, anecdotal evidence from Colebrook's developers indicates a steep increase in rental rates. The most problematic issue for virtually every developer is staffing, particularly housekeeping. COVID restrictions have impacted foreign seasonal employees and most employers have had to use creative means and higher compensation to attract help.

Colebrook's portfolios have held up well, as shown by the comparative statistics set forth below.

Quarter Ended	Current	60+ Days
12/31/19	95.45%	2.60%
12/31/20	95.89%	2.56%
3/31/21	95.34%	2.98%
6/30/21	96.93%	1.83%
9/30/21	96.72%	1.86%

Performance has been extremely consistent, despite the pandemic. Between stimulus payments and enhanced unemployment compensation, most consumers have had the wherewithal to continue making their monthly payments. Further, timeshare owners are more likely than the general population to be professionals, and therefore more likely to work remotely rather than lose their jobs.

Colebrook's loan volume declined in 2020 but has bounced back in 2021. Fundings for the first six months of 2020 were 36% below 2019 levels, while 2021 volume is up 32% from 2020. For the third quarter, the improvement is even more noticeable, with 2021 fundings 121% higher than in 2020.

The bottom line is that sales are more profitable but not quite up to 2019 levels, occupancy is up, help is hard to find, and portfolios are holding up well. For a pandemic-riddled era, that's not bad.

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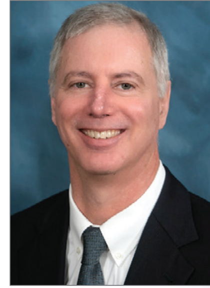
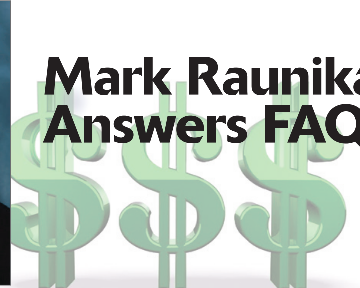




Mark Raunikar Answers FAQs

Will Colebrook Finance Travel Clubs?

Not all travel clubs are created equal, so the answer is "it depends". We learned in 2007 through an introduction to Tom Lyons and his management team at Global Connections that travel clubs, when structured well, can be financed successfully, and we have financed several travel clubs over the last 14 years.

Two critical things we like to determine in introductory calls are 1), does the sponsor have the capital required to invest in not just marketing, but also in the administrative ability and legal services needed to build a successful business? and 2), does the product have an established track record of fulfilling the travel benefits promised to members at the sales table? If an inquiry meets these initial criteria, then we move forward to see if we have found the next Tom Lyons.

One Receivable Lender or Two?

The negative cash flow model of timeshare sales requires that most developers obtain receivable financing for their business. Sales volume dictates the amount of receivable financing required and whether more than one financing source is advisable. The time and cost associated with putting a receivable financing facility in place can be significant, so you don't want to have more financing than is required to meet your needs. On the other hand, we've been in the business long enough to remember the disruption caused in the industry when Finova exited in the 1990's, and the harm caused by the financial crisis of 2008 – 2009, when many institutions including Textron, HSBC and GMAC exited the industry and left many developers who were overly reliant on one of these sources scrambling for financing. While financial difficulties can be one reason for exit, another reason is bank mergers. Often, the acquiring bank has no exposure to the timeshare industry and isn't interested in obtaining any.

For developers just getting started, or generating annual sales up to $20 million, one receivable facility with an experienced timeshare lender is most likely sufficient. Once sales pace accelerates to $20 million or more, the risk to your business of relying on one source can be significant and a second option should be explored. Colebrook has a perspective that is different from most timeshare lenders because we know what it's like to borrow money, run a business, and make payroll. We also know that you can't charge a developer large transaction fees when they are trying to get started with a $3–$10 million facility. Our relationship with Attorney Harry Heller allows us to keep our transaction costs significantly lower than other lenders' counsel, providing a great benefit to Colebrook's customers. Our relationship with 11 financial institutions that support our business mitigates *our* financing risk as well as that of our customers. It also allows us to grow with our customers as their receivable financing needs increase to $30 million or more.

Timeshare Lending Legend Jeff Owings

One sunny morning in the spring of 2015, Colebrook's Bill Ryczek was at the annual ARDA Conference, standing in front of the hotel waiting for a ride, when Jeff Owings came jogging past. When Jeff saw Bill, he stopped, and they chatted briefly. They made an appointment to meet that afternoon and talk further.

Who is Jeff Owings and why was Bill so eager to meet with him? Jeff's story began in the college town of Ames, Iowa, where his father was a professor of poultry science at Iowa State University. Chickens were in the Owings family DNA; Jeff's grandfather raised them and his father studied them. But Jeff, although he wasn't sure what career he wanted to pursue, knew he wasn't interested in chickens. "I thought about teaching," he said, "but then I took a few business courses and it just seemed like a comfortable fit. Finance was right up my alley."

Jeff eventually transferred from Northern Iowa University to Arizona State, where he earned his bachelor's degree. In 1981, he took a job with Bank of America in Los Angeles and was there a little more than two years when, through a college friend, he was introduced to Jack Fields, a young lender at Greyhound Financial.

Greyhound was an exciting company that ventured into a lot of interesting product types, one of which was lending to the relatively new timeshare industry. Business was booming and they were looking for lenders. "When I joined Greyhound, I didn't know anything about timeshare lending," Jeff recalled. "My first deal was with Artie Spector, who eventually built and sold Consolidated Resorts. It was a small deal, about $1.5 million. Artie was buying individual condos and timesharing them, and one of the best things was that the condos were in Waikiki. I thought, 'Boy, I get to go to Hawaii. This is better than my last job.'"

All timeshare lenders were learning during the 1980s. We learned what worked, what was likely to lead to a problem, and after a harrowing period of trial and error, we learned how to lend safely to the industry. "The unique thing about the timeshare industry," Jeff said, "is that it's really several different businesses under the same roof. There's a real estate component, there's hospitality, and when the company generates receivables, they're a finance company. As a lender it's a challenge to understand the business and be able to identify developers who can do it well. It's a very dynamic business and I was never bored."

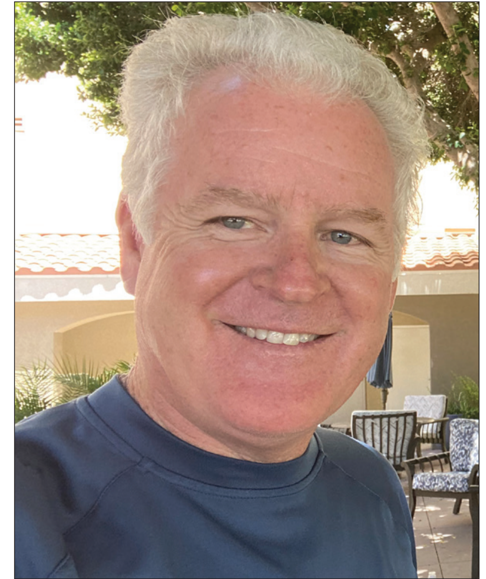
Jeff learned well and became the Senior VP in charge of the Resort Finance Division. Because of their short-term nature, timeshare loans have a tendency to pay down quickly, making it difficult to build bulk in a portfolio. Jeff found a way to grow assets by serving an unmet need. "We got into the real estate development side of the industry," Jeff said, "because we knew developers needed that type of financing, and that led to the receivable financing. It was one-stop shopping." At its peak, the Resort Finance Division's portfolio was $1.8 billion.

Greyhound had gone public and changed its name to Finova, and the new entity developed problems in other areas. The Resort Finance Division was one of the company's most valuable assets, and to generate liquidity, they put it up for sale. A deal was never consummated, but one of the unsuccessful suitors was GMAC, whose executives got to know Jeff well during the due diligence process. They realized he could do for GMAC what he'd done for Finova. Jeff became a GMAC employee in 2002.

"It was liberating to have a fresh start and be able to do things my own way," Jeff said. "Finova had a big staff and tried to be all things to all people. I envisioned a much leaner staff, a smaller infrastructure, and doing a lot of business with a select number of large developers. That was our strategy and I was able to eliminate things that took a lot of time and effort but didn't make a lot of money."

The strategy worked and the GMAC portfolio reached the magic number of $1.8 billion. That was big stuff at Finova, but a relatively small operation in the multi-national world of GMAC. Unfortunately, the biggest GMAC presence was in real estate; it was the second largest sub-prime mortgage lender in the country.

We all know what happened to the subprime market in 2008. "It cratered," Jeff said, "and we weren't a bank that had access to deposits. We borrowed our money and when the subprime crisis hit, our source of funds completely dried up. Our credit was cut off."



By that time, Jeff was ready to take a break, and when GMAC was dismantled, he spent some time away from the business world. His wife, Iris, is a Panama native and she and Jeff began spending winters there. Jeff has five step-grandchildren, two of whom live in Tennessee, and he recently purchased some acreage near them. His life now rotates among Panama, Arizona, and Tennessee.

Leisure was nice for a while, but Jeff missed the action of the business world. A friend introduced him to Patrick Joyce of Bankers Trust, who'd been a commercial real estate lender at Finova and was familiar with the timeshare industry. Patrick saw timeshare lending as an opportunity for the bank and engaged Jeff as a consultant. It was in that role that he encountered Bill Ryczek on that fateful day in 2015. The two had been friendly competitors for many years, and after their meeting that afternoon, both thought Colebrook would be a good fit with Bankers Trust.

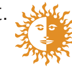
"After that conference," Jeff said, "I reached the conclusion that the timeshare industry wasn't under-banked, and I thought it would be difficult for Bankers Trust to generate enough critical mass to support the administrative expenses of a timeshare department. I stopped talking directly to developers because I thought that working with Colebrook and letting them handle the prospecting and administration was the best way for Bankers Trust to be in the timeshare business. They want to *be* in the business, but they don't want to *run* a business."

Kevin Cooney is the loan officer who works with Jeff on the Colebrook relationship. He previously worked at National Bank of Arizona, which finances timeshare developers,

(continued)

and although he was not directly involved, he was familiar with the product and knew that NBAZ had done well in the industry. "There's some similarities to commercial real estate," he said, "and I've become very comfortable with the product. Jeff highlights the potential risks in each transaction, and we talk them through. That's why we hired him. He's so knowledgeable, he's responsive, and he takes the initiative. I never have to push him."

Jeff Owings has been in the timeshare lending arena for nearly four decades. He and the Colebrook partners know many of the same people, they've been through a lot of similar experiences, and they share a similar approach to underwriting and risk management. It's been, as Bill and Jeff predicted, a great fit.



Where Are They Now?

A Day in the Life of Colebrook Consultant Fred Dauch

On January 1, 2021, after 18 years as a founding partner of Colebrook, Fred Dauch transitioned to a part-time consulting role, based in Marco Island, Florida. Since several of his former clients have been asking about him, the *Chronicle* decided to check in and see how he's doing in his new role.

Chronicle: Do you have a typical day?

Fred: Not really. There may be two or three days of nothing, and then suddenly there's a flurry of activity. I check my email regularly and try to make sure I respond quickly if something comes up. I'd guess I put in about 25-30 hours a month.

Chronicle: How does this match up to your expectations?

Fred: It's just what I was looking for. I wanted to get away from the day-to-day administrative detail, but I like the excitement of working on deals. That's what gets me going.

Chronicle: If it's excitement you're looking for, Colebrook assigned you the right kind of deals. I understand most of your work is monitoring the company's re-purposing loans. What have you learned about that process?

Fred: I'm learning something new every day. There's no template for these deals and they're always evolving. You're always reacting to something. I think the most important lesson I've learned is that you need a local connection on both the business and legal sides. You need a local attorney or title company that understands the title process and how it's affected by the prevailing law and custom. It's also very helpful if they're familiar with the legal history of the project. On the business side, an HOA insider can be invaluable in getting the individual deeds back. They probably have a connection with the owners and hopefully have developed a level of trust. Someone coming from the outside is likely to find it more difficult. I've also learned that time is your enemy. The longer the process takes, the less money there is for everyone at the end. You've got to make sure things move along.

Chronicle: You're still a vital, relatively young man. What made you decide to stop working full-time?

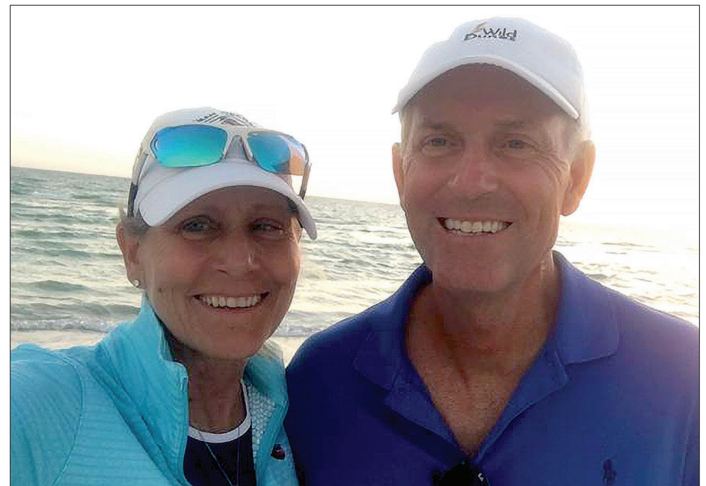
Fred: I made that decision about two or three years ago. I wanted to move to a warmer climate (preferably in a state without a personal income tax) and thought about trying to work full-time from Florida. But I think that would have been difficult and probably not fair to my partners.

Chronicle: What do you do when you're not working?

Fred: Carole [Fred's wife] and I walk, kayak, play tennis, ride bikes, and sometimes go to a state park or visit local historical sites. Carole has relatives nearby and we've been able to meet a lot of people through them. Unfortunately, it's been difficult to get out and meet people during the COVID period.

Chronicle: How's the mental adjustment to retirement coming along?

Fred: It's different. When you're working, you fit non-work things into your life. But without a regular work schedule, what would have been a secondary activity becomes the big activity for the day. We just sold our house in Connecticut and we spent almost the entire summer getting it ready for sale. If I'd been working, I would have been doing that in my spare time, but it basically took up all our time. You focus on things a lot more. I do miss the day-to-day interaction around the office.



The life of a Colebrook consultant is a good one, but at the present time there are no openings.

While Fred was talking with us, a dolphin rose up from the canal that flows in front of his home. If our conversation created any qualms about retirement, that certainly quashed them. Fred plans to get back to Connecticut during the summer season and will report back to Colebrook in person. The leisurely drives up and down the East Coast include stops in North Charleston, South Carolina to visit son Rob, a software development engineer and Durham, North Carolina to see son Willie, a cardiovascular perfusionist at Duke University Hospital. It sounds like semi-retirement is a little like working and a little like retirement, which is what Fred was looking for. We at Colebrook are happy he's enjoying himself and just as happy that we're still working with him.