

## DISCUSSION

### Economic Session

Discussion Leader: RICHARD A. KAHN

Discussion Panel: PHILIP VAN GELDERON, ERIK JACOBSEN, PETER BOE,  
CHARLES B. BOWLING, JAN-OLAF TRAUNG

- Q. Wegmann: Mr. Faubion, would you elaborate on the extensions of loans to the small fisherman and the financing of small used fishing vessels.
- A. Faubion: Our bank has set a limit of about 50 feet on fishing vessels that we finance. This limit has been set primarily because the demand in Texas is for boats of 50 feet or more. We do, however, help fishermen having smaller boats, say of 30-40 feet, but this financing is more on a personal basis rather than a collateral one.
- Q. Woodward: Mr. Faubion, would you elaborate on controllership frequency after these loans are made. What about the determination of cost?
- A. Faubion: We require every man who has a sizeable loan from our bank to submit to us a quarterly operation statement. We also require that we have his bank account at our bank.
- Q. Williams: Would your bank consider a down payment of 25 percent if it were endorsed by a shipyard, etc.?
- A. Faubion: Yes, we would accept a down payment of 25 percent if properly endorsed; however, we try not to exceed two-thirds of the value.
- Q. White-Spinner: Mr. Faubion, what assurance do you have that the insurer will stay on the risk during the life of the loan? I have had the insurer get off because of the risk involved. What assurance do you have that this won't happen?
- A. Faubion: We have no assurance that he won't. I honestly don't know the answer. We try to be practical about who insures boats.
- Q. White-Spinner: You said that your bank financed up to 80 percent of the value of the vessel. Is this figure based on the market value or the intrinsic value?
- A. Faubion: It is figured after it has been marketed and the value frozen.
- A. Jacobsen: Regarding insurance, fishing vessels in Denmark are registered in shipping (fishery) regulations when exceeding 20 gross tons. In case the owner doesn't pay the premium, it goes as an A1 security ahead of mortgage commitment.
- Q. Wegmann: Will Mr. Murphy elaborate on small vessel finance?
- A. Murphy: I can't add to Mr. Faubion's remarks, we also tend to finance the larger vessels.
- Q. Would you consider a small fishing vessel loan if all

- aspects were taken to be a good risk? We have small boat operators who need financial help to become bigger. It is purely a question of credit. Small operators are usually men of small means. Frankly I doubt if the smaller fisherman could get papers showing the proper security, for example, statements of profit and loss, income, etc., and of course we'd like to have accurate figures on his actual worth.
- A. Murphy: Mr. Murphy, isn't it true that since smaller operators cannot operate economically they are less good risks?
- Q. Woodward: Yes, I think that is right.
- A. Murphy: I would like to recount a couple of experiences concerning the ability of the small boat operator. On two occasions I have sold company boats to the men who had worked for me for two to five years. I knew their reputation and had great faith in them. I required no down payments and gave them 50 months to pay at five percent interest. This gave them the opportunity to get started in their own business which would have been impossible if a down payment had been required. One captain paid for the boat in much less than the allotted time—23 months—and now owns his home and car. The other man is still paying for his boat, but I've been gratified, since he's brought in more shrimp and the boat is kept in better condition than when I owned it. Would you do this, Mr. Murphy?
- Q. Wegmann: We'd ask for your endorsement.
- A. Murphy: Mr. Faubion, when you said that it would take longer to pay off a \$100,000 loan when boats get larger than the present-day \$50,000 shrimp boat, you were referring to the problem of increased income and increased taxes?
- Q. White-Spunner: That's my only point.
- A. Faubion: Mr. Faubion, how many of the vessels financed by your bank were paid off by insurance companies?
- Q. Taylor: We haven't lost one vessel. A few were detained in Mexico but they always got back.
- A. Faubion: If a vessel that is being financed is seized, say by Mexico, who pays for the vessel?
- Q. Kahn: Seizure is not paid by insurance companies. Most insurance policies do not cover the vessel during time of war. However, for \$140 per man per year, which equals a \$50,000 fishing vessel, some insurance companies will insure a boat against seizure.
- A. Murphy: Bankers have taken a liberal attitude toward shrimpers because they pay off their debts. I have problems with the hook and line fisherman. Could the present type of fishing vessel be replaced by a more efficient one, that is one that could be adopted for various phases of fishing, and if it could be, could it be financed?
- Q. Taylor: Lately it has been seen that specialization of fishing
- A. Faubion:

vessels is the keynote, from this I'd say that it wouldn't be likely.

- Q. A question for Mr. Murphy involving technique of handling papers on improvement of vessels. For example, an owner of a 75 foot vessel worth \$60,000 wants to install refrigeration equipment thereby spending \$12,000 to \$14,000. Would Mr. Murphy finance this? If so, how would you finance this?
- A. Murphy: We finance the seller and the dealer, but with recovery on the seller. If financing is direct, then we would want a mortgage on the vessel.
- Q. What if there were a chattel mortgage on the equipment? Would you clarify this?
- A. Murphy: I can't clarify it, but my opinion is that there would be some difficulty. We would not go in if the vessel is under liable.
- Q. Kahn: A firm in Boston asked for \$2,000,000 for expanding; this was not for improvements. Can anybody get a loan for the purpose of business expansion?
- A. Faubion: That would, of course, depend upon the particular situation and the man or firm as the case might be.
- A. Aberly: Engine dealers have asked for financing to re-power engines and rigging. The difficulty in getting money is determining if any liens exist on that vessel. Some marine liens can exist for three years and never be recorded. If we finance a vessel to be re-powered, an already, but unknown, existing lien may be served against the vessel which would receive action before ours.