

Dealer Floor Plan Financing Pilot Program Overview

The U.S. Small Business Administration is committed to providing small businesses with the tools and resources they need to survive in the current economic climate. Through the Dealer Floor Plan (DFP) financing pilot program, SBA offers government-guaranteed loans to finance inventory for eligible auto, recreational vehicle, boat, manufactured home and other dealerships.

The DFP is a pilot program that allows dealers to borrow against retail inventory and acts as a revolving line of credit for a dealer to obtain financing for retail goods. The dealer repays the debt as the inventory is sold and can borrow against the line of credit to add new inventory.

How it works:

Under the DFP pilot program, SBA provides loan guarantees for lines of credit through its 7(a) program. DFP loans are made through SBA lenders only for inventory that can be titled, such as autos, RVs, manufactured homes, boats and trailers. The pilot program runs through Sept. 30, 2010, at which time SBA will determine whether to extend the program.

DFP loans are available for a minimum of \$500,000 up to the \$2 million allowable under the 7(a) program, with a maximum repayment term of five years. Borrowers also benefit from the temporary elimination of fees on 7(a) loans made possible by the American Recovery and Reinvestment Act of 2009. DFP loans guarantees will be from 60-75 percent, depending on the type of collateral and the lenders advance rate against the wholesale price of the inventory. Lenders may advance up to 100 percent of the wholesale price.

Who it helps:

The DFP program allows SBA lending partners to prudently extend a critical line of credit in these tough economic times to viable dealerships in a number of industries, including RV, auto, boat and manufactured homes. It helps restore their cash flow and in turn, save their business and countless jobs. For auto dealerships, in particular, it provides the access to capital many of them need at this critical time as they go through the transition brought on by larger changes within their industry.

Because of the severe decrease of dealer floor plan financing over the last several months, each of these loans most likely will keep open a viable business that would have otherwise

closed.

All loans are made through SBA lenders to creditworthy dealerships meeting lender requirements, demonstrating sound finances and following viable business plans.

For more information, go to www.sba.gov.