



News Release

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SBA's New Pilot Loan Program for Dealer Floor Plan Financing Begins Today

WASHINGTON – Beginning today, auto, RV and other dealerships can apply for SBA-guaranteed floor plan financing, which will make it easier for these small businesses to borrow against their inventory and increase their cash flow.

The new pilot program is one of the many tools SBA is making available to help increase access to capital and technical assistance to small business, and complements other steps already taken under the Recovery Act to help small businesses at this critical time.

“In recent months, we’ve seen a dramatic decrease in the availability of credit for financing dealership inventories,” said SBA Administrator Karen G. Mills. “We want to be a partner for these small businesses and help ensure they have the resources they need to help keep their businesses open, save jobs and survive these tough economic times.”

Floor plan financing is a revolving line of credit that allows a dealership to obtain financing through SBA’s 7(a) program for inventory that can be titled, such as autos, RVs, manufactured homes, boats and trailers. As each piece of collateral is sold by the dealer, the loan advance against that piece of collateral is repaid. As the loan is repaid, the dealer can borrow against the line of credit to add new inventory.

The DFP pilot program will run through Sept. 30, 2010, after which SBA will determine whether to extend it further. DFP loans can be made by any lender already participating in SBA loan programs. Lenders who are not already participating in SBA lending, can become an approved SBA lender if they are interested in offering DFP loans.

Since the DFP pilot program is a new initiative that provides a guarantee for a specialized product, the agency is working with and training lenders who may be interested in offering this type of financing. SBA expects there will be a ramp-up period for these lenders.

DFP loans will be 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, the loans will come with a 60-75 percent government guarantee, depending on the type of collateral and the lenders advance rate against the wholesale price of the inventory. Borrowers will also benefit from the temporary elimination of fees on 7(a) loans made possible by the American Recovery and Reinvestment Act of 2009.

Borrowers interested in obtaining a DFP loan should contact their lender or their nearest SBA field office to get a list of SBA-approved lenders in their area who may be participating in the program. Local district offices and contact information can be obtained at the SBA Web site at <http://www.sba.gov/localresources/index.html>.

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For more information about all of the SBA's programs for small businesses, call the SBA Answer Desk at 1-800 U ASK SBA or TDD 704-344-6640, or visit the SBA's Web site at <http://www.sba.gov>

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