

# SBA LENDER'S NEWSFLASH #09-12

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## Dealer Floor Plan Financing

SBA is offering floor plan financing for the first time to assist dealers during these tough economic times. As of July 1, 2009, 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.

Dealer Floor Plan financing is a revolving line of credit that allows a dealership to obtain financing through SBA's guaranteed loan program for inventory that can be titled, such as automobiles, recreational vehicles, manufactured homes, boats, tractors, 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. This program is a pilot program that will run through Sept. 30, 2010, after which SBA will determine whether to extend it further.

Dealer Floor Plan loans will be available for a minimum of \$500,000 up to the \$2 million allowable under the 7(a) program. Borrowers will benefit from the temporary elimination of fees on guaranteed loans made possible by the American Recovery and Reinvestment Act of 2009. 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.

The following chart indicates what the guaranty percentage will be on the loan dependent upon what the advance rate is against the wholesale price:

	80% Advance Rate	90% Advance Rate	100% Advance Rate
New automobiles	75% Guaranty	75% Guaranty	67.5% Guaranty
Used automobiles and other inventory	75% Guaranty	66.6% Guaranty	60% Guaranty

To submit a loan under the Dealer Floor Plan financing program, use the Standard 7(a) application. The following link provides instructions:

[http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/bank\\_7ainstructions.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/bank_7ainstructions.pdf)

Item #8 on page 2 of the submission instructions describes the items that will need to be added to the application when making floor plan loan.

SBA will review your policies regarding floor plan financing prior to your first loan approval. For more details, we recommend reading the Federal Register Notice pertaining to Dealer Floor Plan Financing at:

[http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/dfp\\_fed\\_register\\_notice.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/dfp_fed_register_notice.pdf)

This Notice is the most complete guide to this program.

If you have any questions or need additional guidance, please contact our office at 402-221-4691.

[www.sba.gov/ne](http://www.sba.gov/ne)  
[www.sba.gov/banking](http://www.sba.gov/banking)

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