

**DRAFT -- March 24, 2009**

**Via E-Mail & Fax [202-481-0612]**

Eric R. Zarnikow  
Associate Administrator  
Office of Capital Access  
Small Business Administration  
409 Third Street, SW  
Washington, DC 20416

Dear Mr. Zarnikow:

This letter is to request a meeting with you and your staff to discuss the availability and of Small Business Administration (SBA) loans for small marine dealers (including dealers of boat and boat trailers) and marine manufacturers. In addition, we would like to work with SBA to conduct outreach to our industry on how to apply for these loans.

The marine industry has been hit extremely hard by the financial crisis. There has been a massive exodus of marine lenders leaving the market. In the past year, KeyBank, Textron Financial, Wachovia and National City have left or largely left the marine lending market altogether. GE, who is estimated to now provide as much as 70- 80% of total marine floor plan financing, has significantly scaled back lending, dramatically increased interest rates, and is not issuing new loans or extending current lines of credit to cover new inventory. This tightening means that dealers have limited or no access to credit to keep their businesses open. This tightening also affects boat manufacturers, who in many cases are required to “buy back” or repurchase inventory from dealers that go out of business. This trickle down effect drains much needed money from manufacturers and not only leaves them responsible for buying back boats, but without an outlet for new boats. This type of significant disruption in the distribution chain has already led to excess inventory and decreases in production. As a result, boat dealers and manufacturers have and will continue to face lay-offs, furloughs, plant closures as well as liquidations and bankruptcies.

Specifically, we would like to discuss the possibility of allowing SBA business loans to be available for boat and trailer dealers for floor plan financing. NMMA understands that currently, 13 C.F.R. § 120.130(c) prohibits the use of SBA business loans for floor plan

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Mr. Eric R. Zarnikow  
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financing.<sup>1</sup> However, as credit is no longer otherwise available to these small businesses, NMMA requests that SBA use its authority under 13 C.F.R. § 120.3 to establish a pilot program to lend to boat and boat trailer dealers for the purposes of floor plan lending.<sup>2</sup> Such a program could be extremely beneficial to the estimated 5,000 boat dealers in the U.S. Already, industry observers have noted that the marine industry stands to lose one third or more of its boat dealers due to the financial crisis. NMMA would be further interested in pursuing other ways to allow inventory or floor plan lending under SBA authority.

In addition to a pilot project for floor plan financing, NMMA would also like to discuss in this meeting any options we may have to increase the current size limitations for boat dealers which is now set at \$7 million.

By way of background, the National Marine Manufacturers Association (NMMA) is the leading national recreational marine trade association, with nearly 1,700 members involved in every aspect of the boating industry. NMMA members manufacture over 80 percent of recreational boats, engines, trailers, accessories and gear used by boaters and anglers in the United States. The majority of NMMA members are small businesses. We look forward to discussions with you and your team on this important issue. Please contact me at 202-737-9766; [csquires@nmma.org](mailto:csquires@nmma.org) to schedule a meeting.

Sincerely,



Cindy L. Squires, Esq.  
Chief Counsel for Public Affairs and Director of Regulatory Affairs

CC: The Honorable Nydia M. Velázquez, Chair House Small Business Committee  
The Honorable Sam Graves, Ranking Member, House Small Business Committee

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<sup>1</sup> 13 C.F.R. 120.130(c) restricts the use of SBA financing for “[f]loor plan financing or other revolving line of credit, except under § 120.390.”

<sup>2</sup> See 13 C.F.R. § 120.3 (The Administrator of SBA may from time to time suspend, modify, or waive rules for a limited period of time to test new programs or ideas. The Administrator shall publish a document in the Federal register explaining the reasons for these actions.”)