



National Marine Manufacturers Association



Fact Sheet **SBA & USDA Financing Options for Marine Businesses**

Are you a Small Business? Take a Look at SBA 7(a) Loans

Small Business Administration (SBA) **7(a) Business Loan** guarantee program may be a viable option for marine businesses to consider when seeking financing for their operations. The SBA works with lenders who structure their own loans by SBA's requirements and who apply to receive a guaranty on a portion of the loan. The maximum loan amount is \$2 million. The interest rate and guaranty fee vary depending upon an array of factors. The National Marine Bankers Association (NMBA), the National Marine Manufacturers Association (NMMA), and the Marine Retailers Association of America (MRAA) urge marine businesses to contact their bankers for additional information.

Eligibility: To be eligible for a SBA 7(a) guaranteed loan a marine business must:

1. Have a need for SBA loan guarantee assistance, *e.g.*, must be unable to secure conventional commercial financing on reasonable terms; and
2. Be a "small business."

For a Marine Dealer (NAICS 441222) "small" means having total annual receipts under \$7 million OR under new interim rules *effective on May 5, 2009* any business is now eligible as "small" if it has **tangible net worth not in excess of \$8.5 million and average net income after Federal income taxes** (excluding any carry-over losses) for the preceding two completed fiscal years **not in excess of \$3.0 million** (13 CFR § 120.301(b)).

For a Boat Builder (NAICS 336612) "small" means having **less than 500 employees** OR under new interim rules *effective on May 5, 2009* any business is now eligible as "small" if it has **tangible net worth not in excess of \$8.5 million and average net income after Federal income taxes** (excluding any carry-over losses) for the preceding two completed fiscal years **not in excess of \$3.0 million** (13 CFR § 120.301(b)).

Approval of an SBA 7(a) guaranteed loan application will depend on the availability of funds, an applicant's particulars, and the financial decisions of the participating lender and of SBA. Please note that *eligibility does not mean automatic application approval*.

Uses: SBA 7(a) guaranteed loan proceeds may be used for any worthwhile business purpose, including working capital and the refinancing of existing indebtedness, with very few limitations. Financing a dealership total change in ownership is permissible if the aim is

to preserve the dealership or ensure its continued operational success. SBA recently announced a new Floor Plan Program. Proceeds may also be used to pay the guaranty fee.

Terms: SBA's 7(a) loan guaranty may not exceed the lesser of \$1.5 million or 75% of the total loan (SBA's guaranty may be 85% for loans up to \$150,000). Generally, the maximum repayment period is 7 years for working capital and 25 years for real estate and equipment. Interest rates are negotiated between the lender and the borrower, up to the applicable maximum allowable SBA interest rate and may be fixed or variable. Repayment terms may be arranged to suit the borrower. Borrowers will benefit from the increased guarantee of up to 90 percent on non-floor plan 7(a) loans and the temporary elimination of fees on 7(a) loans made possible by the American Recovery and Reinvestment Act of 2009.

Floor Plan Lending: On July 6, 2009, SBA published in the *Federal Register* the rules for a Dealer Floor Plan Financing Program. This pilot program became **available on July 1, 2009 and will remain in effect to September 30, 2010**. At the end of the pilot initiative, SBA will evaluate and determine whether to extend the pilot, terminate the pilot or make it a permanent part of SBA's lending programs. This is a type of 7(a) loan.

DFP loans will be available for a **minimum of \$500,000 up to \$2 million** and have a maximum repayment term of five years. **The advance rate can be up to 100%** with a sliding SBA guarantee between 60 to 75% for new and used boats or boat trailers. For example, if 80% is advanced -- the guarantee is 75% of the loan value; if 90% is advanced -- the guarantee is 66.6%; and if 100% is advanced -- the guarantee is 60%. Banks are able to charge fees that are above the usual SBA lending fee cap of 2% so long as the fees are usual / customary for floor plan lending and SBA borrowers pay no more than others. Borrowers will also benefit from the temporary elimination of SBA fees on 7(a) loans made possible by the American Recovery and Reinvestment Act of 2009. All loans will be made through SBA approved lenders. Additional information can be found at www.SBA.gov.

Collateral: A borrower should expect to pledge whatever collateral is reasonably requested and to give such personal guaranties as may be required. The SBA provides guidance to lenders on collateral adequacy.

Financial Statements: The standardized, comprehensive financial statements used by the marine industry along with balance sheets, income and retained earnings statements, and subsidiary accounting reports are generally acceptable to SBA participating lenders. In certain situations, lenders may require other financial statements. A discussion of a dealer or boat builder's operations and a plan that demonstrates an ability to repay the loan must be included in the application. While three years of successful business history is a general measure of sound prior operations, dealers or boat builders with less than three years experience may still demonstrate reasonable repayment ability.

Other Funds: Personal and/or business assets must be used to the fullest extent possible. Private credit must be used if obtainable at reasonable rates and on reasonable terms. If working capital standards are imposed by a manufacturer on a dealer, formulae that compute the minimum acceptable net working capital should be completed by the dealer and may be used to guide loan amounts.

How to Apply: The application process begins with a commercial lender. Dealers and manufacturers are encouraged to inquire first with their existing lenders, but application can be made with any bank that makes SBA 7(a) guaranteed loans. The link to the list of SBA-approved 7(a) lenders for most states is available online at:

<http://www.sba.gov/localresources/index.html>, choose your state, then **click 'financing.'** For more information, contact your local SBA office or call the SBA at (800) 827-5722.

Need A Small Boost? Consider the SBA ARC Program

SBA's America's Recovery Capital Loan Program can provide up to \$35,000 in short-term relief for viable small businesses facing immediate financial hardship to help ride out the current uncertain economic times and return to profitability. ARC loans can be used to make payments of principal and interest, in full or in part, on one or more existing, qualifying small business loans for up to six months. **ARC loans are interest-free** to the borrower, carry a 100 percent guaranty from the SBA to the lender, and require no fees paid to SBA. Loan proceeds are provided over a six-month period and repayment of the ARC loan principal is deferred for 12 months after the last disbursement of the proceeds. Repayment can extend up to five years. The best candidates for ARC loans are small businesses that in the past were profitable but are currently struggling, yet have been making loan payments or are just beginning to miss loan payments due to financial hardship. ARC loans will be offered by some SBA lenders **starting June 15, 2009** and last as long as funding is available or until September 30, 2010, whichever comes first. More information is available at www.sba.gov.

Located in a Rural Area? Yet Another Option to Consider

If your business is in a **rural area (under 50,000 in population)** you may qualify for a **U.S. Department of Agriculture Rural Business and Industry Guaranteed Loan**. These loans are also issued through banks and guaranteed by the federal government. Loans may be used for purchase of land, buildings, equipment and permanent working capital. Refinancing debts may also be eligible. Most types of businesses are eligible. The maximum amount of the loan is up to \$25 million. To find out if you are eligible for these loans you can go to: <http://eligibility.sc.egov.usda.gov> or call the representative for your state listed below.

Contact an Agency representative in your State from the table below. The representative can provide information on the program and the names of local lenders participating in the Business and Industry Guaranteed Loan Program.

STATE	CONTACT	PHONE #	EXT.	FAX #	E-MAIL ADDRESS
AL	Chris Harmon	(334)279-3615		(334)279-3403	chris.harmon@al.usda.gov
AK	Dean Stewart	(907)761-7705		(907)761-7783	dean.stewart@ak.usda.gov
AZ	Gary Mack	(602)280-8717		(602)280-8770	gary.mack@az.usda.gov
AR	Shirley Tucker	(501)301-3280		(501)301-3278	shirley.tucker@ar.usda.gov
CA	Chuck Clendenin	(530)792-5825		(530)792-5837	chuck.clendenin@ca.usda.gov
CO	Leroy W. Cruz	(720)544-2928		(720)544-2981	leroy.cruz@co.usda.gov
CT	(See Massachusetts)				
DE	James E. Waters	(302)857-3625		(302)857-3640	jim.waters@de.usda.gov
FL	Joe Mueller	(352)338-3482		(352)338-3405	joe.mueller@fl.usda.gov
GA	Karen Bryan	(706)546-2154		(706)546-2152	karen.bryan@ga.usda.gov
HI	Steven Chapman	(808)933-8318		(808)933-8327	steven.chapman@hi.usda.gov

ID	Daryl Moser	(208)378-5615		(208)378-5643	daryl.moser@id.usda.gov
IL	Ronald Firkins	(217)403-6217		(217)403-6243	ronald.firkins@il.usda.gov
IN	Dean Edwards	(317)290-3100	427	(317)290-3127	dean.edwards@in.usda.gov
IA	Randy Frescoln	(515)284-4714		(515)284-4859	randy.frescoln@ia.usda.gov
KS	Gary L. Smith	(785)271-2730		(785)271-2708	gary.l.smith@ks.usda.gov
KY	Jeff Jones	(859)224-7436		(859)224-7425	jeff.jones@ky.usda.gov
LA	John Broussard	(318)473-7960		(318)473-7829	john.broussard@la.usda.gov
ME	Michael W. Grondin	(207)990-9168		(207)990-9165	mike.grondin@me.usda.gov
MD	(See Delaware)				
MA	Daniel Beaudette	(413)253-4318		(413)253-4347	daniel.beaudette@ma.usda.gov
MI	Lee Bambusch	(517)324-5157		(517)324-5225	lee.bambusch@mi.usda.gov
MN	David Gaffaney	(651)602-7814		(651)602-7824	david.gaffaney@mn.usda.gov
MO	Clark Thomas	(573)876-0995		(573)876-0977	clark.thomas@mo.usda.gov
MT	John Guthmiller	(406)585-2540		(406)585-2565	john.guthmiller@mt.usda.gov
NE	Roy A. Fordyce	(402)437-5554		(402)437-5408	roy.fordyce@ne.usda.gov
NV	Herb Shedd	(775)887-1222	19	(775)885-0841	herb.shedd@nv.usda.gov
NH	(See Vermont)				
NJ	Kenneth Drewes	(856)787-7753		(856)787-7783	Kenneth.Drewes@nj.usda.gov
NM	Mike McDow	(505)761-4956		(505)761-4976	mike.mcdow@nm.usda.gov
NY	David Schermerhorn	(315)477-6425		(315)477-6438	walter.schermerhorn@ny.usda.gov
NC	Steven Byrd	(919)873-2040		(919)873-2075	steve.byrd@nc.usda.gov
ND	Dale Van Eckhout	(701)530-2040		(701)530-2111	dale.vaneckhout@nd.usda.gov
OH	Jim Cogan	(614)255-2420		(614)255-2559	jim.cogan@oh.usda.gov
OK	Michael Schrammel	(405)742-1060		(405)742-1005	michael.schrammel@ok.usda.gov
OR	Jeff Deiss	(503)414-3367		(503)414-3385	jeff.deiss@or.usda.gov
PA	Vincent Murphy	(717)237-2189		(717)237-2191	vincent.murphy@pa.usda.gov
RI	(See Massachusetts)				
SC	Gregg White	(803)765-5881		(803)765-5633	gregg.white@sc.usda.gov
SD	Doug Roehl	(605)352-1142		(605)352-1146	doug.roehl@sd.usda.gov
TN	Dan Beasley	(615)783-1341		(615)783-1301	dan.beasley@tn.usda.gov
TX	Pat Liles	(254)742-9780		(254)742-9709	pat.liles@tx.usda.gov
UT	Richard Carrig	(801)524-4328		(801)524-4406	richard.carrig@ut.usda.gov
VT	Rhonda L. Shippee	(802)828-6033		(802)828-6018	rhonda.shippee@vt.usda.gov
VA	Kent Ware	(804)287-1557		(804)287-1718	kent.ware@va.usda.gov
WA	Tuana Jones	(360)704-7707		(360)704-7742	tuana.jones@wa.usda.gov
WV	Cheryl Wolfe	(304)284-4882		(304)284-4893	cheryl.wolfe@wv.usda.gov
WI	Mark Brodziski	(715)345-7610		(715)345-7669	mark.brodziski@wi.usda.gov
WY	Jerry Tamlin	(307)233-6719		(307)233-6727	jerry.tamlin@wy.usda.gov
PR	Maria de Jesus	(787)766-5095		(787)766-5844	maria.dejesus@pr.usda.gov
VI	(See Florida)				