



Fact Sheet

PRESS OFFICE

Dealer Floor Plan Pilot Program

On September 27, 2010, President Obama signed into law the Small Business Jobs Act which, among other things, established the SBA's Dealer Floor Plan (DFP) Pilot Program. The DFP Pilot gives SBA the ability to issue 7(a) loan guaranties to revolving lines of credit made by qualified participating lenders that are provided to retail dealers of titleable inventory.

Key Features of the DFP Pilot:

- DFP is structured to encourage SBA lenders to extend lines of credit to eligible dealers of new and used automobiles, motorcycles, boats (including boat trailers), recreational vehicles and manufactured housing (mobile homes).
- **Size Standards:** The applicant can qualify for a DFP line of credit using either the traditional, industry-based size standards (set forth in 13 CFR 121.201) or the alternative size standard. Under the alternative size standard, SBA will classify a business as small if it, and its affiliates, have both a tangible net worth that does not exceed \$15 million and an average net income after Federal income taxes (excluding any carry-over losses) for the preceding two completed fiscal years that does not exceed \$5 million.
- **Minimum Loan Size** of \$500,000 **and Maximum Loan Size** of \$5,000,000
- **Guarantee:** SBA will guarantee 75% on floor plan lines of credit when the lender advances no more than 100% of the cost (invoiced) for new inventory and 100% of the cost or industry based wholesale book value, whichever is less, for used inventory.
- **Use of Proceeds:** Loan proceeds may be used for the acquisition of titleable inventory for retail sales, to refinance existing floor plan lines of credit with another lender, or to refinance/replace existing floor plan lines of credit with the participating lender. Proceeds may also be used to pay the SBA guaranty fee.
- **Delegated Authority:** A floor plan lender with at least \$1 billion of floor plan lines of credit in its current portfolio may qualify for delegated authority under the DFP Pilot, which will expedite the loan approval process for small business owners and allows more autonomy for lenders.
- **Documentation:** Delegated floor plan lenders will make use of SBA Express forms and therefore, be able to utilize to the maximum extent practicable their own policies, procedures, internal controls and documentation. Non-delegated lenders will follow standard 7(a) procedures, including the documentation requirements.
- **Guaranty Purchase:** Lenders will be able to request purchase of the guaranty on a DFP line of credit in the event of a breach of a financial covenant, a sold out of trust (SOT) situation, or an unremedied adverse change.
- **Liquidation** of the titleable inventory securing the DFP line of credit will be required prior to making demand on SBA but the lender will not be required to liquidate all additional business personal property securing the line prior to making demand.
- **Time Frame:** The DFP Pilot will be implemented on or before February 7, 2011.