



Marine Retailers Association of America

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July 29, 2009

Grady Hedgespeth, Director
Office of Financial Assistance
U.S. Small Business Administration
409 Third Street, SW
Washington, DC 20416

Re: Response to Notice and Request for Comments
Dealer Floor Plan Pilot Initiative
Docket Number SBA-2009-0009

Dear Mr. Hedgespeth:

We are submitting our comments to your Notice and Request for Comments on the SBA guaranty loan pilot initiative to make available 7(a) loan guarantees for lines of credit that provide floor plan financing for recreational boat dealerships. MRAA is the national trade association representing the 3,000 small businesses which sell and service new and used recreational boats.

We first want to thank the SBA for the prompt response to our industry-wide problem with a new plan offering the ability to boat dealers to obtain and keep necessary floor plan financing of boat inventories. The nation's credit freeze has tragically and adversely hurt the ability of many boat dealers with a strong and long history of sound business to obtain the necessary financing to conduct business. By stepping forward with a federal government floor plan loan guarantee program, the SBA is making a real commitment to the success and future of America's small businesses, which are dependent on inventory financing due to the very high value of the product.

MRAA has heard from hundreds of boat dealers expressing very serious concern about the recent financial difficulties of several banks, which are not able to meet the financial demands of the industry and have significantly changed lending policies. Interest rates have increased to unheard of levels. Banks are not accepting requests for new floor plan financing and are actively working to disassociate themselves with many dealerships.

This new banking activity has had serious affect on local communities where many boat dealerships are critical contributors to local tax basis, jobs, and non-profit civic institutions.

We also complement you and the SBA for presenting a well thought-out Notice and Request for Comments that clearly understands the extent of our financing problems. We have had many discussions with boat dealers about the SBA notice and the problems the dealers have had in their attempts to obtain SBA-backed floor plan financing at various banks. The following summarizes many of the comments we have heard.

1. **Eligibility—Limited to Retail Dealers of Titleable Inventory that Require Licensing by State Authority after Acquisition.** We are asking for a clarification of this requirement because in the case of recreational boats, several states do not require that a boat be licensed or titled. In those states, i.e. Georgia among others, we are concerned that dealers in a non-license/title state will not be able to obtain SBA guaranteed floor plan financing.
2. **Loan Amount--\$500,000 Minimum Loan Amount.** Several boat dealers have expressed concern that the SBA should eliminate this minimum requirement and truly make the program apply to small businesses which have a floor plan inventory of less than \$500,000.
3. **Loan Amount--\$2,000,000 Maximum Loan Amount.** We suggest the maximum loan amount be increased to \$4,000,000. A maximum of \$4,000,000 truly fits the need and definition of small business in the U.S. marketplace.
4. **Use of Proceeds and Repayment.** MRAA recommends the ability to use SBA-backed loan proceeds to refinance existing or new inventory at the existing lender or for the acquisition or refinance of inventory at a new lender. The Notice and Request for Comments may have to be amended to ensure clarification of this clause giving boat dealers/lenders this option.
5. **Allowable Fees.** MRAA appreciates the eligibility of SBA-backed floor plans loans for the borrower fee elimination.
6. **Eligible Lenders.** We are a great concern about the terms experienced v. inexperienced lenders. MRAA recommends the SBA Notice and Request for Comments be amended to allow for a case by case determination by the SBA to re-classify lenders allowing for qualified inexperienced lenders to be classified as experienced. In addition, MRAA recommends the SBA work with appropriate lenders to ensure the lender has the proper policies and procedure guidelines for a successful program. Many boat dealers do not prepare monthly financial statements and will have difficulty complying with that requirement. MRAA recommends the SBA accept the requirements of the lending institution in this regard.
7. **Franchise Operation.** MRAA understands the SBA floor plan financing program requires that a dealer be a franchisee of a manufacturer. The boating industry does not operate under the franchise business model. Instead boat dealers and boat manufacturers have a Dealer/Manufacturer Agreement that is to some extent directed by certain state and federal laws governing the business relationship. In addition, many boat dealerships operate under a casual business relationship with no contract. MRAA recommends the Notice and Request for Comments be amended to allow for usage of the Dealer/Manufacturer Agreement in place of a franchise agreement and be written in a way general enough to allow participation by all dealers within the scope of the loan amounts and financial parameters.

MRAA again thanks the SBA for its leadership in expanding the 7(a) loan program to floor plan financing. We look forward to working with you to ensure the program is a success. Please contact us if you have any questions.

Sincerely,

Phil Keeter
President

Ed Lofgren
Chairman

