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United States Senate

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March 8, 2010

The Honorable Karen Mills
Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Dear Administrator Mills:

Currently, our nation has a 9.7 percent unemployment rate. As Chair and Ranking Member of the Senate Committee on Small Business and Entrepreneurship we have worked together in a bipartisan manner to advance policies that create jobs and spur economic growth. As Administrator of the Small Business Administration (SBA) we know that you share these same priorities.

One of the best ways to accomplish these goals is to end the credit crisis and restore credit to small business owners. The Federal Deposit Insurance Corporation recently reported that in 2009, the number of outstanding loans from banks declined at the fastest rate in 67 years.¹ The Federal Reserve's Senior Loan Officer Opinion Survey indicates that small businesses are now in the worst credit environment in 20 years.² These grim statistics only underscore the fact that American small businesses are in dire straits.

One initiative which would help alleviate small business concerns, and which we have strongly advocated for, is the SBA's Dealer Floorplan Pilot (DFP) initiative. This initiative established a one year pilot 7(a) loan guaranty program dedicated for lines of credit that provide floor plan financing that allowed auto, boat, RV, trailer, manufactured housing, and similar product dealers to acquire inventory. The DFP initiative appears to have made a positive impact and is especially necessary in light of the National Federation of Independent Businesses' most recent study on credit which highlights that lines of credit are the most difficult credit product for small business owners to obtain.³

Although small businesses are in severe need of lines of credit, the DFP has not been fully utilized. On July 1, 2009, the SBA estimated that up to 4,000 loans could be made through DFP initiative, yet as of February 2010, only 42 loans have been made.⁴ This amounts to barely

¹ *Wall Street Journal*, Lending Falls at Epic Pace. February 24, 2010.

² *New York Times*, Banks Prodded to Ease Lending to Small Firms, February 5, 2010.

³ National Federation of Independent Businesses, *Small Business Credit in a Deep Recession*, February 2010.

⁴ *Dealernews*, SBA Launches Dealer Floor Plan Program, July 1, 2009.

over one percent of the DFP total capacity. At a time when access to credit is such a critical issue for small businesses, it is crucial that the SBA make full use of all the tools it has at its disposal to expand access to credit to all industries; including the marine, motor vehicle, recreation vehicle, trailer, and manufactured housing industries.

One way the SBA could make the DFP more attractive to lenders is to extend the DFP from a one-year to a three-year pilot program. Extending the program would provide certainty for equipment dealers and help spur borrowing activity in the DFP initiative. Another avenue of expansion for the DFP is to conduct more outreach within the lending community regarding this program. Finally, it has been suggested by industry stakeholders that eliminating the restriction on "Less Experienced Floor Plan Lenders" to loan only to existing customers and making all SBA floor plan loans eligible for the same guarantee would broaden the program's reach to more small businesses. Please consider these suggestions and respond back to us on how these proposals could best be implemented, and the DFP initiative be improved.

Thank you in advance for your assistance and consideration. We look forward to working with you on this issue. If you have any questions please feel free to contact Kevin Wheeler with Chair Landrieu's staff at (202) 224-5175, or Chris Lucas with Ranking Member Snowe's staff at (202) 224-7884.

Sincerely,



MARY LANDRIEU
United States Senator



OLYMPIA J. SNOWE
United States Senator