



March 8, 2011

Dealer Floor Plan Pilot Program  
Office of Financial Assistance  
U.S. Small Business Administration  
409 Third Street, S.W.  
Washington, D.C. 20416

SBA Docket Number: SBA-2010-0015

Dear Office of Financial Assistance Staff:

The Manufactured Housing Institute (MHI) represents all segments of the factory-built housing industry including: producers of manufactured and modular homes; lenders; community owners; retailers; suppliers and state associations. We appreciate this opportunity to submit comments to the Small Business Administration (SBA) regarding the Dealer Floor Plan Pilot Program (DFP) as published in the Federal Register Notice dated February 9, 2011.

MHI appreciates the SBA for developing and improving upon this new program to make available loan guaranties for lines of credit that provide floor plan financing. The lack of available and affordable floor plan financing over the past three years for manufactured and modular housing retailers has severely impacted the ability of these small businesses to conduct normal business operations. These financing constraints have jeopardized the ability of the industry to provide quality, affordable, and sustainable housing for tens of thousands of Americans over the past several years.

MHI suggests the following modifications to the DFP.

#### **Minimum Loan Amount**

The minimum loan amount under the program is set at \$500,000. Consistent with our prior comments in 2009 on the pilot program, this minimum amount will prove to be too high for many retailers to take advantage of this much needed program. The wholesale price for a typical manufactured home is approximately \$40,000. Because most industry retailers usually carry 8-10 homes in inventory, the typical floor plan loan amount is below \$500,000.

In order for the program to be of any real value to our industry, and to be consistent with the SBA's goal in attempting to help small businesses with their floor plan financing needs, the minimum loan amount under the program must be set at \$250,000. If such a revision requires a statutory change, MHI would partner with the SBA in petitioning Congress to lower the minimum loan amount.

**Eligibility for Modular Homes**

The program rule specifies that retail dealers of “titleable inventory” are eligible to apply for loans from SBA lenders. The rule specifically mentions manufactured housing as eligible collateral for these loans. Less clear is whether modular homes can also be used as eligible collateral under the DFP. Due to the severe credit crunch, retailers of modular homes are experiencing the same difficulties as manufactured home retailers regarding inventory financing.

Like manufactured homes, modular homes are built in a factory environment and are sold by the producers to retailers for subsequent sale to home buyers. The primary difference between manufactured homes and modular homes relates to the building codes to which they are constructed.

With respect to loan documentation between the lender and the retailer, the retailer executes an inventory financing agreement with the lender for modular homes. The lender’s security interest in the collateral is perfected by filing a Uniform Commercial Code (UCC)-1 on all inventory financed with that retailer. The lender also secures a lien waiver from all other lenders with a priority filing. This process, as well as the valuation of the collateral, is the same as to what occurs with “titleable inventory.”

To avoid possible confusion in the marketplace among SBA lenders and to assist retailers of modular homes, MHI requests that the SBA rule be modified to clarify that modular homes are eligible collateral under the DFP.

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MHI appreciates this opportunity to provide comments regarding this program. If our modifications are adopted, it will result in more financially sound, small business retailers and banks participating in the program. If not, the program will not be helpful at all to an industry the rule specifically mentions it is trying to assist.

We would be happy to expound on these points at any time. I can be reached at (703) 558-0678 or [tlong@mfghome.org](mailto:tlong@mfghome.org)

Sincerely,



Thayer Long  
Executive Vice-President