

**AmericanInternational
AutomobileDealers**



NAMAD
NATIONAL ASSOCIATION OF MINORITY AUTOMOBILE DEALERS

March 2, 2009

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

We write to convey the concerns of more than 19,000 franchised automobile dealerships on Main Streets all across America and the one million men and women who are directly employed in these local businesses. Together our associations represent every make and model of new cars and trucks (all domestic and all international nameplates) sold in the United States. Despite the fact that the best-made, most environmentally-friendly vehicles ever built are available at extremely competitive prices, the state of our entire industry is dire.

Several factors – the unprecedented drop in consumer confidence, chaos in the credit markets, and a precipitous decline in lender confidence in the automotive sector – have created untenable economic conditions for an increasing number of our members and their employees. Within the past 12 to 14 months, approximately 1000 dealerships have closed, putting more than 50,000 Americans out of work. On top of this, the crisis has prompted thousands of additional layoffs at the dealerships that are still operating. No nameplate is immune from this economic downturn. Unless this situation is corrected, efforts to stabilize the U.S. auto industry will fail, further complicating the revival of the broader economy.

During stable economic times, auto sales comprise nearly 20 percent of the nation's retail spending, so the franchised dealers literally drive the U.S. economy. Even more important, an individual dealership is the most powerful economic engine on Main Street. Few, if any, other business models in America generate more direct jobs, more direct investment in local economies, more indirect supplier/vendor jobs, more payroll tax revenue for local government, or more state sales tax revenue. This extraordinary local, state, and national economic power comes from the dealers' willingness to put private capital at risk in local communities. The dealers buy the cars from the automakers, invest in the commercial real estate, build the buildings, hire the employees, and pay for the manufacturers' entire retail presence.

Absent access to sufficient credit on reasonable terms, this incredibly powerful economic engine will sputter and die. Dealers need retail credit to facilitate auto sales,

because 94 percent of all vehicle purchases are financed. Dealers need working capital loans to meet current cash flow requirements such as payroll. Finally, dealers need floorplan financing, which is the specialized credit that enables dealers to buy their wholesale inventory of vehicles from the automakers. The average floorplan loan is approximately \$4.9 million, and nationwide dealers are collectively at risk for approximately \$100 billion in inventory financing.

The current market for floorplan lending is dysfunctional. The already small universe of floorplan lenders (25-30 captive finance companies or commercial banks make 90 percent of the loans) is shrinking dramatically as regional banks exit this market entirely and lenders still in the market alter terms or restrict floorplan credit. Even creditworthy dealers – and not just domestic dealers – cannot find alternative financing when cutoff by their current lenders. Without floorplan financing, an auto dealership will close within a matter of days, triggering additional unemployment and further erosion of the local tax base. Indeed, this presents the single greatest threat in the short term to dealership viability.

In addition to creating havoc on Main Street, the floorplanning crisis is impairing the national economic recovery that we all seek. The aggregate level of floorplan financing determines the number cars and trucks that dealers are able to buy from the manufacturers. Simply put, dealers cannot buy what they cannot finance. Therefore, a functioning floorplan credit market is a fundamental building block to every dealership, every auto manufacturer, and, hence, a significant portion of the entire economy.

These exigent circumstances warrant immediate action. Therefore, we respectfully request a meeting with you and appropriate members of your economic team at the earliest possible opportunity to discuss the following two policy initiatives, which, if implemented, would stave off further job loss in auto retailing and lay the foundation for a broader economic recovery.

1. Immediately revitalize the asset-backed securities (ABS) market for wholesale and retail auto loans – The ABS market provides much of the liquidity required to fund the types of credit that dealers need. That market totally collapsed last fall and, in an effort to revive it, the Treasury Department and the Federal Reserve Board have developed a series of creative mechanisms, including, most notably, the Term Asset-backed securities Loan Facility (TALF). Unfortunately, as it relates to the auto sector, the TALF is currently an imperfect solution since its eligibility criteria presently exclude many key dealer floorplan and auto retail securitizations. We ask that your Administration work with the Federal Reserve Board to refine the TALF and undertake any other mechanism necessary to restore retail and floorplan lending. As part of that effort, we urge your Administration to ensure that all Treasury Department funding necessary to accomplish that end is provided.

2. Immediately expand the Small Business Administration (SBA) loan guaranty program to provide floorplanning and working capital for auto dealers – The SBA section 7(a) loan guaranty program provides helpful access to credit for many small businesses. However, as currently structured, its usefulness to our members is significantly constrained. To begin, section 7(a) loans cannot be used for auto floorplanning. Moreover, the SBA size standard applicable to auto dealers effectively excludes most of our members despite the fact that many of those who are excluded would conventionally be considered to be small businesses. Accordingly, we ask that your Administration immediately direct SBA to take the steps necessary both to allow section 7(a) loans to be used for floorplanning and to appropriately increase the size standard applicable to auto dealers. In 1980, President Carter similarly expanded SBA loan guaranty eligibility on an emergency basis to provide liquidity for the nation's auto dealers when confronted with comparable challenges in the credit markets.

We need to restore the availability of credit for the automotive retailing network both to ensure the recovery of the overall auto industry and to preserve the economic foundation of communities all across the country. And time is very much of the essence. We stand ready both to work with your Administration to develop programs that respond to the current crisis but protect the interests of the taxpayers and to raise our collective voices all across America to demonstrate the critical need for prompt action here in Washington.

Sincerely,



Russ Darrow
Chairman
American International
Automobile Dealers
Association



John McEleney
Chairman
National Automobile
Dealers Association



Desmond Roberts
Chairman
National Association
of Minority Auto-
mobile Dealers

Cc: The Honorable Harry Reid
The Honorable Mitch McConnell
The Honorable Nancy Pelosi
The Honorable John Boehner