RIN Data

SBA **RIN:** 3245-AF69 **Publication ID:** Fall 2008

Title: Small Business Size Standards: Retail Trade Industries

Abstract: A U.S. Small Business Administration project is the review of all SBA size standards over a 2-year period. This proposed rule is one of a series of proposals evaluating the size standards for industries within a specific North American Industry Classification System (NAICS) Industry Sector. This action proposes revisions to certain industries in the NAICS Retail Trade Industry Sector. These proposed revisions ensure that SBA's size standards are consistently evaluated using the latest available data.

Agency: Small Business Administration(SBA)
Priority: Other Significant
RIN Status: Previously published in the Unified Agenda
Agenda Stage of Rulemaking: Proposed Rule Stage
Major: No
Unfunded Mandates: No
CFR Citation: 13 CFR 121 (To search for a specific CFR, visit the Code of Federal Regulations.)
Legal Authority: 15 USC 632(a)
Legal Deadline: None
Timetable:

Action	Date	FR Cite
NPRM	01/00/2009	

Regulatory Flexibility Analysis Required: Yes
Government Levels Affected: None
Small Entities Affected: Businesses
Federalism: No
Included in the Regulatory Plan: No
Public Comment URL: www.regulations.gov
RIN Data Printed in the FR: Yes

Agency Contact:
Gary M. Jackson
Division Chief, Division of Size Standards, Office of Government Contracting/Business Development
Small Business Administration
409 Third Street SW,
Washington, DC 20416
Phone:202 205-6618
Fax:202 205-6390
Email: gary.jackson@sba.gov

CAR VEHICLE DEALER SMALL BUSINESS SIZE STANDARD

The retail motor vehicle industry, so vital to our national, state, and local economic well-being, is experiencing a temporary, serious downturn, as evidenced by the lowest sales rate for new vehicles in over 25 years. Thousands of dealers, all independent businesses and typically family-owned with one or two locations, are in dire need of working capital or inventory financing loans to enable them to stay in business during the next few months. Given the extremely tight market for conventional financing, there is an immediate need to amend the Small Business Administration (SBA) size standard for franchised new car dealers (NAIC 44111).

WHAT IS THE EXISTING STANDARD FOR FRANCHISED NEW CAR DEALERS?

To be eligible to apply for an SBA 7(a) guaranteed loan, car dealers typically must:

1. Have a need for SBA loan guarantee assistance, e.g., must be unable to secure conventional commercial financing on the same terms; and

2. Be a "small business." As defined by SBA, a light-duty dealer (NAIC 44111) is a "small business" if its total annual sales are less than $29.0 million. NADA estimates that less than 25% of dealers potentially fall under this standard.

WHAT SIZE STANDARD WOULD BE MORE APPROPRIATE?

The size standard for car dealers should be changed from one based on annual receipts to one based on number of employees, especially given the high ticket nature of dealer sales. Car dealers on average have 53 employees. A 200 employee standard (such as that adopted in 2007 by US DOT for car dealers) would capture the majority of small dealerships currently in need of access to SBA 7(a) guaranteed loans.

HOW MAY SBA GUARANTEED LOAN PROCEEDS BE USED AND WHAT ARE CURRENT POTENTIAL LOAN AMOUNTS, TERMS, AND INTEREST RATES?

SBA 7(a) guaranteed loan proceeds may be used for any worthwhile purpose, including working capital and the refinancing of existing indebtedness, but not inventory floor planning. An SBA 7(a) loan guaranty may not exceed the lesser of $1.5 million or 75% of the total loan. Generally, the maximum repayment period is 7 years for working capital, and 25 years for real estate and equipment. Interest rates are negotiated between the lender and the borrower, up to the applicable maximum allowable SBA interest rate. Repayment terms may be arranged to suit the borrower; e.g., a lender may require quarterly interest-only repayments for up to a year.