

Congress of the United States

Washington, DC 20515

June 26, 2009

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

Dear Mr. President:

As minority Members of Congress, we respectfully write to you to express our serious concerns on the financial stability of minority-owned auto dealerships. Several such dealerships from across the country have contacted us and other Members regarding the harsh and unfair financial demands they are facing as franchised dealers. As General Motors and Chrysler receive financial assistance from the federal government, minority-owned dealerships have nowhere to turn for assistance and are going out of business at alarming rates. On June 24, 2009, the National Association of Minority Automobile Dealerships met with you and your staff and expressed the urgent need for the Administration to use all available tools to address this crisis. It is imperative that we act immediately. To that end, we want to ensure that tax-payer money injected into the auto industry is also used properly and effectively to make credit available for minority-owned dealers in the industry.

Minority auto dealerships represent vital components of our local communities and, if they are forced to close, will lead to higher unemployment and to tremendous and irreplaceable loss of local economic revenue for many of our communities. In 2008, of the 1000 dealerships that closed, 200 were owned by minorities. For example, Chrysler had a minority dealer representation of less than 5%, but terminated over 20% of its minority dealer body. General Motors had a minority dealer representation of less than 4%, but terminated 20% of its minority dealer body. These closures represent the equivalent of about 150,000 direct and indirect job losses. In 2009, we project that roughly 300 to 400 minority-owned dealerships will be lost, leading to an additional 250,000 direct and indirect job losses.

In addition, dealership closings will have a detrimental impact on the local tax base. The estimated average dealer's revenue in 2008 was \$33 million. This revenue is taxed locally and, for many minority communities, represents a dependable revenue source. It is imperative that we help our local communities by trying to save these revenue sources.

We respectfully request that special consideration be made for minority-owned auto dealers in light of the recent developments with General Motors, GMAC, Chrysler LLC, and Chrysler Financial. To assist minority auto dealers, we urge you to consider the following proposals:

1. Implementation of a Direct Loan Program

The Small Business Administration or other appropriate agency should implement a direct loan program designed to provide immediate access to working capital. Such programs were implemented successfully in 1980 (during the Carter Administration) when the nation's dealers, particularly ethnic minority dealers, faced similar financial challenges. Due to these programs, minority-owned dealerships were able to survive during the turbulent financial crisis of the 1980's. The 1980 program may serve as a model for structuring a comparable approach today.

2. Modify AAA Requirement for Automobile Loans (floor planning) Under Term Asset-Backed Securities Lending Facility (TALF).

The immediate restoration of access to floorplan financing is essential to restoring retail auto sales. The financial assistance program announced by the Administration on March 3, 2009, requires each loan to have an AAA rating, and excludes floor plan finance loans all together. Franchised auto dealers rely on wholesale "floorplan" financing to buy vehicles from manufacturers. This enables dealers to purchase needed inventory to provide their consumers with a wide variety of purchase options. Liquidity constraints felt by the auto industry as a whole have halted any floorplan activity by lenders. Even the most creditworthy dealers are unable to access capital with reasonable terms. In cases where financing is available, dealers are asked to agree to financing terms that are not commensurate with the risk to the borrower. These reductions in floorplan lines of credit and the increased costs of floorplan financing are dramatically reducing the number of vehicles that a dealer may purchase from a manufacturer.

We respectfully request consideration of the following proposals for those minority dealers that were either rejected or terminated by General Motors or Chrysler:

3. Consider Relieving Dealers from Personal Guarantees for both Term and Floor Plan Loans

Many dealers that took term or floorplan loans from manufacturers are unable to repay these enormous debts, especially in cases where a manufacturer is forcing a dealership to close without providing fair compensation (i.e. inadequate wind-down payments). As a result of the strict enforcement of the personal guarantees, dealers are losing their homes and personal assets. Dealers have attempted, without avail, to seek redress through the bankruptcy courts. Put simply, it is inconsistent for the federal government to relieve the debts of auto manufacturers by providing taxpayer dollars while allowing these same manufacturers' captive institutions to demand that money they have loaned to dealers must be promptly repaid.

4. Future Dealership Opportunities for Terminated/Rejected Dealers

In most cases, the closing of dealerships is due not to dealers' poor management but to their lack of access to working capital and to auto manufacturers downsizing their dealer body. Dealers, especially minority-owned dealerships, want to be part of the national economic recovery and to support their local economies. We ask that consideration be given to the affected dealers of both General Motors and Chrysler if and when these auto manufacturers decide to re-enter the market place. We imagine that, in most instances, a dealer that was forced to close would be the best candidate to re-establish a dealership should an auto manufacturer decide to return to the affected market area because that dealer would bring experience and expertise. We suggest that a "first right of refusal" be considered as a means to ensure that affected dealers are given every opportunity to re-establish their dealerships should economic conditions improve.

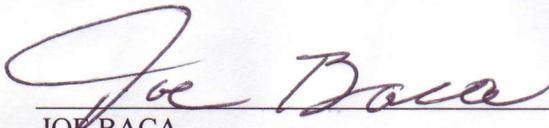
5. TARP Fund Allocation to Minority Dealer Development Programs

Minority-owned dealerships want to be part of the economic recovery and will expand on their successful business models if given the opportunity to do so. We request that you consider allocating a portion of TARP funds to support the minority dealer development programs for both GM and Chrysler which are needed to maintain and grow the number of minority-owned dealerships. These dealerships may be new to a particular market, but they have been very successful in building working relationships within our communities. The use of TARP funds to support minority dealer development programs would help address the alarming rise in dealer consolidation, which has been disastrous for minority dealers. As of the end of 2008, a total of 1,200 minority dealerships had been consolidated, reducing the number of minority dealerships to numbers not seen since the late 1980's and early 1990's. As the demographics of America continue to change and minority populations exponentially grow, America's automobile dealership body should reflect the demographic make-up of our nation.

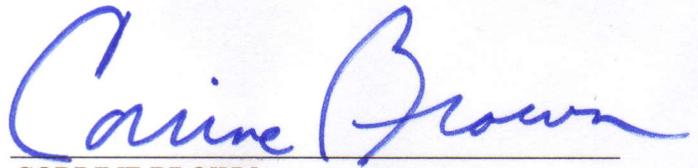
Urgent attention to this issue is necessary to prevent hundreds of minority auto dealers from going out of business, disrupting our communities and leaving thousands unemployed. The auto industry is composed of several pieces. Minority-owned auto dealers are a vital piece of the puzzle and, more importantly, for our communities. As the primary automotive retailers in minority communities, minority dealers play a critical role in providing employment and supporting key community organizations. Moreover, these dealers serve as a foundation of the local tax base which, if lost, would negatively impact our communities.

We respectfully request your consideration of the proposals presented above. The auto industry needs urgent attention, but that attention must include a special focus on minority-owned dealers, who are essential economic components of our communities. We enthusiastically seek to work with you in the creation of fair and viable opportunities to assist minority auto dealers and to provide a direct loan fund to supply them with working capital and floorplan financing.

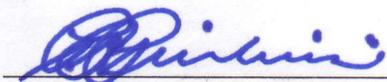
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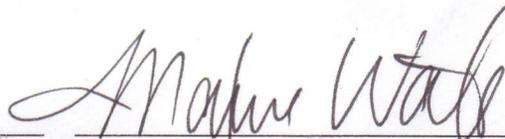
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Member of Congress



CORRINE BROWN
Member of Congress



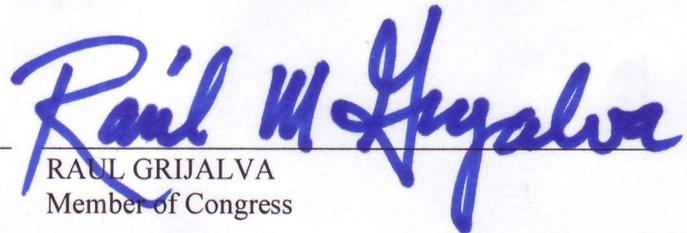
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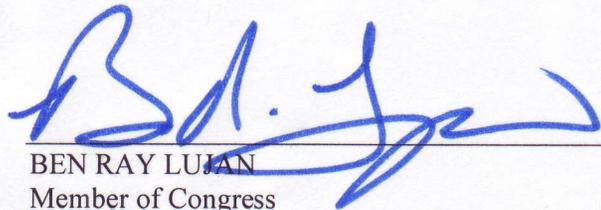
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