

Florida RV Dealer Presses Suits Against Lenders

May 4, 2009 by [Joe Bohn](#)

Broward County, Fla., RV dealer GiGi Stetler has drawn inquiries from hundreds of distressed RV dealers and appears to be making some progress with her lawsuits against financial institutions, claiming overcharges on the interest dealers have had to pay for floorplanning.

Stetler is the owner of RV Sales Broward in West Palm Beach and Davie. Her lawsuits against major RV lenders claim that they've unfairly charged dealers interest on inventory, long before dealers' inventory arrived on their lot. Stetler is not mentioning the lenders' names.

Like many other RV dealers, Stetler says, "I was getting invoiced for units 10, 20 and 30 days before I ever received them. And, very often, when you get the unit, it needs extra work before you can sell it. So you're also forced to pay interest until it's even ready to sell."

Stetler cited one motorhome "that came in leaking. I was stuck with it, and paid \$32,000 in interest before it was finally returned to the factory. The factory sent somebody down here three times to fix it. They finally agreed to take it back, but never reimbursed me the \$32,000 in interest."

Time lags between ordering and receiving units are normal. A manufacturer typically requires several days to complete a unit and turn it over to a delivery company that, depending on how busy it is, may require up to 30 days to deliver that unit to the dealer's lot.

Stetler says dealers are fully aware of the time lags in getting units, but that the ambiguity of key contract language makes it impossible for dealers to accurately account for such delays in calculating interest. According to dealer security agreements, interest begins on the invoice date. "But nobody has been able to define 'invoice date,'" Stetler says. "Nobody knows whether it's shipping date, ordering date, building date. It's whatever they feel like putting on invoice. That's the problem."

One dealer, who requested anonymity, said it was up to the dealership to reconcile the monthly bank statement to its inventory. "If you're hit with an interest statement on a unit that you never got until 30 days later, you have to be proactive and tell the lender 'you can't bill us until this hits the ground,'" he points out, while noting the variances in dealer and lender practices in the industry.

But Stetler says she did catch it on the very first statement. She says she started protesting unfair floorplanning practices, beginning in August 2005 and continually got the runaround when seeking reimbursement, with manufacturers and lenders each telling her to talk to the other.

Stetler adds that, in 2007, when she finally threatened to switch lenders, a representative of her financing institution agreed to change her plan. "What we agreed on saved me \$25,000 a month in interest. Over a period of two years, it (the previous plan) had cost me \$600,000 in overcharges. They told me to chalk it up to the cost of doing business, and said I was one of only four dealers they'd made these concessions to."

Currently, Stetler is operating without benefit of floorplanning, having lost her two lenders. She operates by paying cash for units at auctions, a few at a time, and from consignments and rentals. Floorplanning normal inventory would be self-defeating, anyway, she adds: "When my floorplanning was pulled, I was losing deals like crazy because the very financial institutions I was doing business with were selling \$90 million worth of inventory through the auctions, which they were buying back (from distressed or failed dealers) for \$50,000 and \$60,000 less than I could sell them for."

Stetler says discussions are taking place with lenders in her suits. She's seeking a refund of all the interest overcharges to every dealer, and says whatever concessions she obtains will apply to even those dealers who have gone out of business. She adds that she's fully aware of - and prepared for - a long, drawn-out legal battle due to the enormity of the stakes, potentially billions of dollars.

Based on dealer responses, many others share her views. Stetler says she's gotten 480 e-mails and over 100 phone calls from dealers since initiating her lawsuits, "97% of them in the same boat I'm in. They've had time floor checkers doing inventory and found units they were being charged for before they arrived from the factory."

The issue of when dealers begin paying floorplan interest has been ongoing, as Phil Ingrassia, vice president of communications for the Recreation Vehicle Dealers Association (RVDA), Fairfax, Va., points out. So too, have "a number of issues with regard to the contracts that dealers have with lenders."

RVDA Legal Council Brock Landry recently reviewed several dealer financing agreements and also noted several RV dealers who said they had negotiated acceptable agreements with their lenders

Overall, says Landry, dealer agreements "run the gamut from extremely one-sided, unreasonable agreements putting all of the risk with the dealer to those that are somewhat more reasonable (although as with most financing agreements, the balance is usually in favor of the finance company). I would urge all RV dealers to have these agreements reviewed carefully by their counsel."

There are a number of provisions found in these agreements which could have "harsh and unfair results for the dealer," he adds, citing the following examples:

- Some of the agreements permit the finance company to sign the dealer's name on any document it deems necessary to fulfill the objectives of the agreement.
- Another agreement allows the financing to be placed back with the dealer if the manufacturer does not perform its obligations.
- Some agreements require the dealer to warrant that the purchaser is of legal age and has other qualifications rather than using its best efforts to determine this.
- Some provisions regarding dealers repossessing the units are also very harsh.

"I hope these examples will highlight the need for careful review of the contracts and a full assessment of the contractual obligations that the dealers are undertaking when they enter into these arrangements. The fine print can lead to some real problems," Landry concludes.