

Title:

Freight Broker Financing Options

Word Count:

384

Summary:

Are you a freight broker or a trucker? Learn how to finance your business growth with freight factoring.

Keywords:

freight broker factoring, freight bill factoring, freight factoring

Article Body:

Owing a freight brokerage business can be very rewarding and profitable. But as a freight broker, you know that your business is very cash intensive. Your drivers depend on you to be paid on time. However, clients can take up to 60 days to pay for their loads.

So you end up caught in the middle. Caught between drivers that need cash now and clients that want to pay slowly. The math does not work. And unless you have a nice cash cushion in the bank, something has to give.

Trying to get a business loan won't help. Banks only give business loans to companies that have a great history and solid track record. But what if your track record isn't great or if you are a startup? What if you have no history but have a great future potential? If that is your situation, your financing will need to come from another source- a factoring company.

Factoring companies are experts at financing businesses with little past history but great future prospects. Basically, the factor eliminates the 30 to 60 days it takes to get your freight bills paid. With factoring, you get your freight bills paid in about 2 days. That gives you the cash you need to pay drivers and meet other business expenses.

Factoring is flexible and grows with your company. As opposed to having arbitrary limits like business loans or lines of credit, factoring limits are driven by your sales. The more you sell, the more financing you qualify for.

Here is how factoring works:

1. You submit a copy of your freight bills to the factoring company

2. The factor advances you between 90% to 98% of your freight bills (sometimes they hold a small reserve)
3. You get immediate use of the funds. The factor waits to get paid.
4. If the factor held a reserve, the reserve is rebated as soon as your customer pays the freight bill

Factoring costs are driven by three variables: a) monthly financed volume, b) your customer credit worthiness and, c) how long the freight bill goes unpaid. As a rule of thumb, rates go between 1.6% to 3% per month, depending on these variables.

Factoring freight brokers is a specialty type of factoring and not all factoring companies offer it. However, those that do will help you succeed beyond your expectations.