

Freight Factoring 101



The New Owner-Operator's
Guide to Funding & Fast Cash

Avoid common roadblocks
and set your new trucking
business up for big success



TRANSCAP

Everything You Need to Know About Freight Factoring



Starting your own trucking company isn't easy – or cheap. Especially when there are so many upfront costs that send cash out the door. One of the most important decisions you'll have to make is **how you're going keep money in your pocket.**

Chances are, you've heard of freight factoring (or been warned against it). It's the most common way for owner-operators and fleets to avoid lengthy delays in payment on invoices so they can keep rolling.

But how does freight factoring work? Is it right for you and your company? Here's everything you need to know.



What is Freight Factoring?

It helps you get paid faster, easier and more reliably

You never know when your broker/shipper will pay. Sometimes, you need to wait 30, 60 or even 90 days for a load to be paid out. That's not great for business. Costs like fuel, tolls and insurance don't get put on hold – you need cash right away.

Freight factoring takes the invoices for the loads that you run and pays them fast. No more waiting! It gives you quick cash to keep the business rolling in between invoice payouts. You pay a nominal percentage fee for the convenience.



Why Not Just Work with My Bank?

Unfortunately, many traditional banks don't make it easy for new owner-operators to borrow money.

Typically, banks run thorough background checks to check your credit history and criminal record before signing off on the loan application. Their strict approval process means you may run into longer wait times or a rejection.

Factoring vs. Banking: Understand the Key Differences

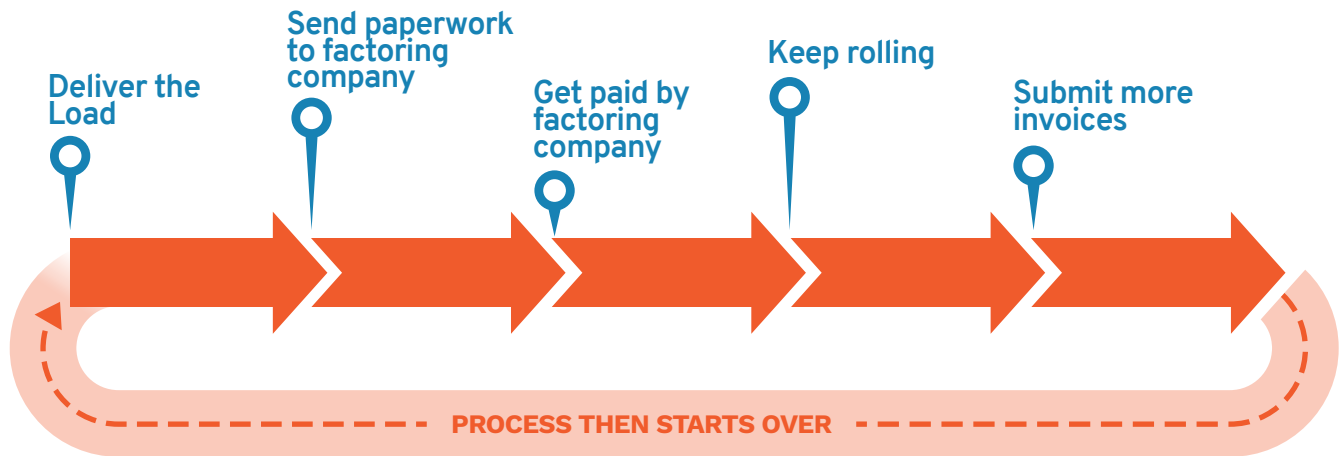
	Factoring Company	Bank
Application Process	Easy – most factoring companies like Transcap only need your basic contact info, MC#, etc.	Rigorous – banks often review credit history, criminal record, etc.
Approval Timing	1-2 business days	60-90 days or longer
Credit Check	Yes, it's a soft credit check that won't impact your credit score	Yes, it will show as a hard inquiry and will ding your credit score
Money in Pocket	1-2 business days	Several months

*Transcap works hard to eliminate any barriers between you and your money. Our soft credit check won't impact your credit score. You get approved within 1-2 days and can start uploading invoices right away.

How Does Freight Factoring Work?



| The Process



The factoring process is simple and efficient.

Many factoring companies have a quick application. At Transcap, our application takes 60 seconds or less. You only need to provide your MC number and upload a photo of your driver's license. It's that easy.

Getting your money

Once you're approved by the factoring company, you can submit your invoices for recent loads. After you submit, you don't have to worry about the invoice anymore.

Within 1-2 days, you'll receive up to 95% of the invoice value directly in your bank account. The factoring company holds back the remaining amount and returns it to you, minus a small factoring fee, when your customer pays the invoice.

The factoring company deals with collecting the payment from your broker/shipper, so you can be hands-off throughout the process.

Am I Getting a Good Deal?

Insider info on factoring rates

Many factoring companies use a common formula to calculate your rate. They review the following variables:

- Total dollars volume you factor each month
- Average invoice amount
- Collection period
- Type of freight
- Diversity of customers
- Creditworthiness of your client (your broker/shipper)

Often, new owner-operators are charged a higher rate because they have less history and less volume, which means higher risk for the factoring company.

The average rate charged by most factoring companies is 2%-6% of the amount invoiced. At Transcap, we charge one of the lowest fees in the industry, only 1%-4%. And, unlike other factoring companies, there are ZERO hidden fees or limits.



What to Look for in a Factoring Company

Once you have applied and received your authority through [FMCSA](#), you'll likely get blasted with calls from factoring companies. They'll make lots of promises and guarantees to score your business.

Checklist: What to Ask Factoring Companies

Here's a checklist of questions before giving a factoring company the green light.

- ✓ How long have you been in business?
- ✓ Do you run a credit check? *(Note: Transcap does a "soft" check that won't impact your credit score)*
- ✓ How long is the approval process?
- ✓ What rates do you charge?
- ✓ Are there any hidden fees? *Some factoring companies charge for creating invoices for you, application fees, documentation fees, monitoring fees, etc. These really add up.*
- ✓ How fast can you fund once we deliver the load? *Other factoring companies may take 2-10 business days to send you money. Work with a partner who offers the fast cash you need.*
- ✓ Do you offer any other perks to my business?

Is Freight Factoring Worth It?



| The short answer: Yes.

As a new owner-operator, you need cash to cover costs like fuel, payroll, insurance, tolls, etc. The expenses really pile up. And, you don't always have time to wait for brokers/shippers to pay.

If you want to accelerate your new business, freight factoring is the quickest and most flexible solution available. But use caution before giving any factoring company the keys to your invoices. Do your research before you apply and make sure you're getting the best deal and support for your business.



Set Up Your Trucking Business for the Long Haul



You know it takes hard work (and maybe your life's savings) to make your business a success, but you don't have to go through it alone. A reliable freight factoring partner will help you get the cash you need to grow your trucking business the fast and responsible way.

While your bank might seem like the easiest option for funding, remember; they put up extra roadblocks like hard credit checks and limits on how much you can borrow, especially if you are a new carrier.

A trusted factoring partner like Transcap never sets limits on the number of invoices you submit because **we have one goal in mind: supporting your growth.**

[Apply Now →](#)

[Talk to Transcap →](#)

