

Get the Facts before you **Factor:**

Questions to ask
factoring companies



Factoring improves cash flow for businesses, especially small fleets. It pays invoices quicker for a fee to help fleets spend more time on operations and less on back office work.

A good factoring company should be a partner. Trucking companies work hard to earn money. They shouldn't have to work extra to collect on it too. Ask these key questions to find the best factor for your business:

WHAT IS FACTORING?

The formal factoring process is selling your invoices or receivables to a third-party financial company. The company pays you quicker than the receivable due date at a discounted rate and collects the full amount on those invoices from your customers as they come due. You don't wait 30-60+ days to receive payment and the third-party financial company does the collections.



FEES



What is the factoring/purchase fee?

Find out if your factor's fee is competitive. Industry rates typically average between 3-6% of the invoice value. Ask if the fee is a flat rate or has "kickers." Some factoring companies charge additional fees based on invoice age. You might be assessed one fee if the invoice is paid in 30 days and another if payment comes at 60 days.



Are there any processing fees?

Some factors charge an additional per invoice fee to process your paperwork.



Are there monthly minimum penalty fees?

If your factor requires you process a certain dollar amount per month, find out what the penalties are if you don't. We all take vacations or have truck breakdowns that impact our monthly income.



Are there extra fees for same-day pay?

Many factors charge steep fees to get your money in hand today. Know how quickly the factor can pay and what the associated fees are.



Do I pay for wire, ACH and fuel card upload fees?

Ensure your factor partner doesn't charge excessive fees to deposit funds. Fees associated with electronic payments aren't abnormal, but they should be minimal. Wires typically are the most expensive.



DISCOUNTS



Are additional savings available?

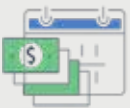
Many factor companies offer additional discounts to clients. See if they provide cost savings on fuel, equipment, electronic logging devices (ELDs), or insurance. Shop around for the best deals to help your bottom line. Good factoring companies provide many value-added services at a deep discount or free.

TERMS



Is a one-year contract required?

Know the contract length. When exiting the contract, understand how much notice the factor requires and the monetary penalties for early termination.



Are monthly minimums required?

Make sure you understand how much revenue your factor requires you process each month. Are you able to flex up and down each month without penalties?



Is there a reserve or holdback requirement?

Many factoring companies require a reserve be built before paying on invoices. This requires you put money up front to cover potential losses for the factor.



Is this a recourse or non-recourse account?

Simply put, who foots the bill when someone doesn't pay? Recourse means if the shipper doesn't pay the invoice, the factor can come to you and take their money back. Non-recourse means if the shipper doesn't pay, the factor eats the loss. Non-recourse accounts often have higher rates to offset risk.



PURCHASE PROCESS



Is original paperwork required?

Many factors only accept load paperwork by mail or fax. Ask your potential factor partner if they can accept *all paperwork* by email or mobile upload to save you time and money.



Do you offer online account access? Can I do business with you 24/7/365?

If you like a self-service model, ask the factor if you can access your account details online or if you must speak to a representative. Loads don't always deliver during office hours. Ask if your factor provides business access around the clock every day of the year.



Do you provide online credit checks?

Factors require the shipper be credit approved prior to you hauling the load. Ask how quickly you'll have an answer on credit checks. If you ever book loads outside of typical business hours, the factor needs to provide online credit check access.

FINAL AGREEMENTS



Can I negotiate?

Ask for adjustments. Some factors will work with you on terms and fees. If the contract includes items that make you uncomfortable, ask for changes. Do what's best for your business. Fair contract negotiations often speak to a good long-term partnership.



Shop around.
Ask the right questions.
Benefit your business.



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