

FACTORING

101



Copyright © Thunder Funding 2024 All rights reserved. No part of this ebook may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage and retrieval system, without prior permission in writing from the author.



Table of Contents

..... 1 **What Is Factoring?**

..... 2 **What Is a Factoring Company?**

..... 3 **What Is Freight Factoring?**

..... 4 **What Are the Benefits of Freight Factoring?**

..... 5 **Who Uses Factoring?**

..... 6 **Is It Expensive?**

..... 7 **How Does It Work?**

..... 8 **What's the Difference Between a Bank Line and Factoring?**

..... 9 **What's the Difference Between Quick Pay and Factoring?**

..... 10 **What if I Have Bad Credit?**

..... 11 **What if I'm a New Company?**

..... 12 **Kinds of Freight – Any That Are Denied for Factoring?**

..... 13 **Do I Have to Factor Everything?**

..... 14 **Do You Have Long Term Contracts?**

..... 15 **What Will My Customers Think?**

..... 16 **Can a Factor Help Me Find Freight?**

..... 17 **What's Involved in a Setup Process?**

..... 18 **Bonus: Seven Secrets to Running a Lean Trucking Company**

Question 1

What Is Factoring?

ANSWER:

Freight factoring is a straightforward solution that has stood the test of time. As a business owner looking to expedite payments on your slow-paying invoices, the process involves scanning and sending the invoices directly to the factoring company through a mobile app, making it super easy. The factoring company then processes the invoices and typically advances your company between 90-95% of the invoice's face value. The remaining amount (5-10%) is returned to you, minus the factor's fee, once your customer settles the invoice. Accessing cash today rather than waiting for 30-90 days boosts cash flow, empowering you to cover expenses like fuel, insurance premiums, driver payments, and more.

“ With an immediate cash advance from Thunder Funding, your business can operate at full strength.

THUNDER FUNDING



Question 2

What Is a Factoring Company?

ANSWER:

A factoring company serves as a facilitator that bridges the gap in a business' cash flow. Factoring has grown in popularity due to the quick, easy access to cash flow. Good factoring companies also provide business services such as back office support with tasks like credit checking, billing and collections. Keep in mind that factoring companies are not banks and therefore do not lend money. Instead, factoring companies offer a reliable solution for guaranteed cash flow without the restrictions, borrowing requirements and collateralization that banks typically demand.

Factoring companies offer a reliable solution for guaranteed cash flow.



THUNDER FUNDING



Question 3

What Is Freight Factoring?

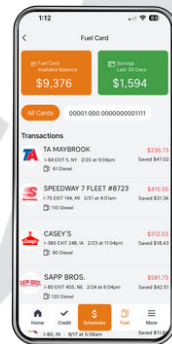
ANSWER:

Freight Factoring involves a carrier submitting an invoice to a factoring company, via email or a mobile app (like the Thunder Mobile App), along with the load documentation (i.e., Rate Confirmation and Bill of Lading), the factoring company runs its due diligence and processes the invoice within 24 hours. Once funded, the company leads "soft" collection calls within twenty days, ensuring that your customer has received the invoice and necessary documents, and that all paperwork is in order for payment processing.

Furthermore, established factoring companies such as Thunder Funding offer clients an online web portal, like our Thunder Mobile App web version. Within the portal, clients can submit invoices and monitor their status throughout the funding process, request fuel advances, conduct 24/7 credit checks, and track their fuel card charges and savings. The web portal also enables carriers to request reports, including a Reserve Report. These features not only streamline the factoring process but also save valuable time.

“ *With freight factoring, freight company owners save time and effort.* ”

THUNDER FUNDING



Question 4

What Are the Benefits of Freight Factoring?

ANSWER:

Freight expenses can pile up over time and it can take months for trucking companies to be reimbursed. With the extra cash flow provided through factoring, owners have more expenditure freed up to hire new employees, invest in company upgrades and find other ways to achieve company growth. The stress associated with built-in costs for items such as fuel, state tolls and other miscellaneous costs will be put to rest. For trucking company owners who find themselves handcuffed by their debtors, freight factoring is a one-size-fits-all fix that will maximize the opportunities for company growth. And since there is no need for a down payment and no request for collateral, trucking companies can continuously rely on factoring as a trusted means for securing transactions.



With the extra cash flow, owners have more expenditure freed up to achieve company growth.

THUNDER FUNDING

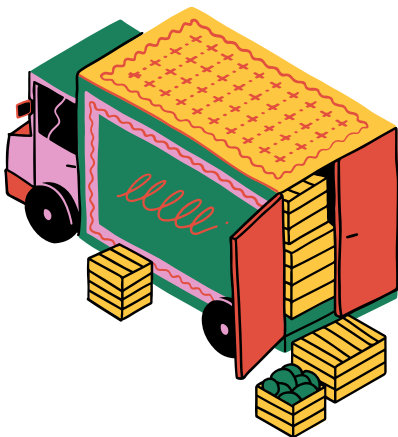


Question 5

Who Uses Factoring?

ANSWER:

Factoring has been around for centuries and originally started in Europe as a way for traders to barter goods. In the United States, factoring is used by several industries including medical, textile, staffing, trucking, printing, and so many more. Companies who utilize factoring are simply leveraging their unpaid invoices into cash for a small fee. Consider a restaurant who accepts credit cards. The restaurant owner agrees to pay a small fee to Visa or Mastercard for their credit sales to become available the next day. The credit card company then bills the consumer (you) and you have 30 days to pay the bill. This is very similar to factoring. This simple process helps many different types of companies.



Factoring is used by all kinds of businesses, not just truckers. “

THUNDER FUNDING

Question 6

Is It Expensive?

ANSWER:

Not at all. Typically, a factoring company will charge a small percentage per invoice as a fee. Prices can range from 1-6% and often is priced out based on your customer's credit and/or payment days. If you work with a customer who pays in 90 days, you may pay more than a company whose customers pay in 25 days. This has to do with the cost of capital. A factoring company often borrows from a bank and pays fees based on the days- outstanding. Hence, the longer the money is out, the more it costs the factor. Other times, a company may pay a higher rate if they have a single concentration (meaning they just have one or two customers). This is considered a concentrated account and becomes a bit riskier to the factor. The best way to find low rates is to go with a reputable factor who works specifically in your industry and knows that business. By factoring more customers, you avoid being labeled "concentrated" and therefore can negotiate better terms.

“Typically, we fund invoices for a few pennies of each dollar.”

THUNDER FUNDING



Question 7

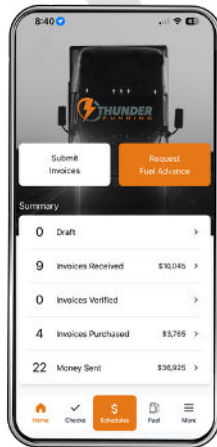
How Does It Work?

ANSWER:

After delivering a load, paperwork submission is seamless through the Thunder Mobile App. Instead of faxing or emailing, simply send the invoice, rate confirmation, and proof of delivery to our office via the app. We'll enter the paperwork into our system and release the majority of the invoice amount to you. We then forward the invoice to your customer on your behalf. After your customer pays the invoice, we'll deduct a small fee and release any remaining amount back to you. This hassle-free paperwork submission process helps expedite payment and streamlines your cash flow.

Once the invoice is paid, we deduct a small fee and release any remaining amount back to you. “

THUNDER FUNDING



Question 8

What's the Difference Between a Bank Line and Factoring?

ANSWER:

With traditional bank financing, rates tend to be a little lower, however the criteria and restrictions are much greater. Banks will typically offer a fixed line of credit (LOC) that becomes a liability on your profit and loss statement and is tied to your collateral. This LOC often becomes difficult for companies to repay. Factoring grows as you grow. You're advanced a percentage of your invoices up-front with no restrictions on growth and far fewer constraints. Factoring does not become a liability on your books and companies can stop factoring anytime.

“ *Factoring does not become a liability on your books and companies can stop factoring anytime.* ”

THUNDER FUNDING




Question 9

What's the Difference Between Quick Pay and Factoring?

ANSWER:

Not much. However, quick-pays are typically only offered by the larger brokers and are relatively similar in pricing (2-5%) and rarely include any additional benefits. A good factoring partner will handle your invoicing, collections, and reporting. Very rarely do shippers or smaller brokers offer any type of quick-pay to their carriers. Factoring allows you to take the better paying loads while not worrying too much about payment terms. Your invoices will be paid right away whether the customer pays in 30, 60 or 90 days.

Factoring allows you to take the better paying loads while not worrying too much about payment terms. 

THUNDER FUNDING



Question 10

What if I have Bad Credit?

ANSWER:

Bad credit can always be explained and everyone runs into issues once in a while. We understand that. We use your shipper or broker's credit to determine whether we can advance you on your invoices. By factoring your invoices and having cash available immediately, you can begin rebuilding your credit from day one.

By factoring your invoices, you can begin rebuilding your credit from day one.



THUNDER FUNDING



Question 11

What if I'm a New Company?

ANSWER:

No problem! Unlike banks, factors generally don't require a long history of business experience. In fact, most new trucking companies will elect to use a factoring partner due in part to the high cash demands like fuel, maintenance, insurance, lumpers, etc. We provide you credit, based on your customers credit worthiness. Working with good customers is very important to a new company and a good factoring partner will help guide your credit decisions based on their history and the financial stability of your customer. This allows you to get started right away and helps to ensure your success.

“ *Unlike banks, factors generally don't require a long history of business experience.* ”

THUNDER FUNDING

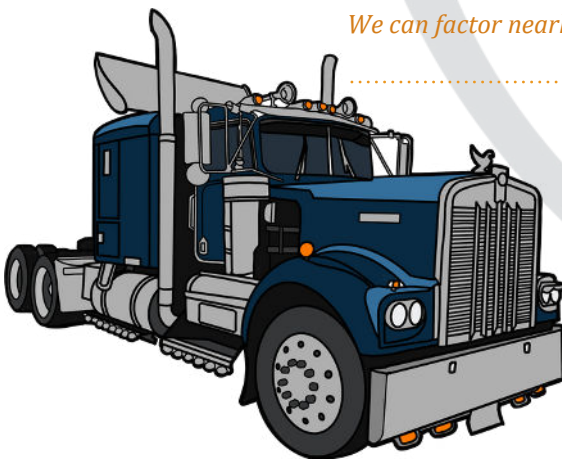


Question 12

Kinds of Freight – Any That Are Denied for Factoring?

ANSWER:

LTL or FTL okay? You bet! We can factor nearly any kind of freight, full or partial. We specialize in transportation, so feel free to send us what you have. If you run reefers, we have extensive experience with USDA inspections and are happy to help with any issues you may come across. Some examples of factorable freight include flats, dryvans, reefers, tankers, oilfield equipment, hoppers, straight trucks, etc.



*We can factor nearly any kind of freight,
full or partial.*



THUNDER FUNDING

Question 13

Do I Have to Factor Everything?

ANSWER:

No. You have the flexibility to select which customers you want to factor. For customers who pay promptly, we recommend billing them directly to avoid factoring fees. However, for those who prefer convenience, you can utilize our Thunder Mobile App web version and benefit from 24/7 online account access to view and download all your account information. This feature allows you to stay organized and manage your invoices efficiently. Ultimately, the decision is yours to make based on your business needs and preferences.

“ *You can pick and choose which customers you'd like to factor.*

THUNDER FUNDING



Question 14

Do You Have Long Term Contracts?

ANSWER:

No. We are here to help you, not hinder you. Our agreement simply outlines the fees and we ask that you agree to the terms. Some factors claim no contracts or no long term contracts only to require a payoff before releasing you 30, 60, or 90 days later. It's important that you ask questions related to the agreement. Most importantly is the fee structure and the length of the agreement. Be sure you know what you're paying ALL IN (including fees other than factoring fees). A reputable factor should provide you a fee breakdown so you can compare pricing with other factors. We believe you should always have a choice and if we are not providing you the level of service you expect, then we should not stand in your way to find another factor.



A reputable factor should provide you a fee breakdown so you can compare pricing. “

THUNDER FUNDING

Question 15

What Will My Customers Think?

ANSWER:

You'd be surprised. Most of the shippers and brokers are well aware of factors and tend to prefer dealing with them directly. They can consolidate their payments to one company (i.e. the factor) rather than cut multiple checks to several carriers. They recognize you are a responsible carrier who has taken the first critical step to insure proper cash flow which will allow them the ability to utilize your equipment more often rather than continuously setting up new carriers. We work with thousands of shippers and brokers and it's viewed no differently than a change of address to them.

“ *We work with thousands of shippers and brokers and it's viewed no differently than a change of address to them.* ”

THUNDER FUNDING

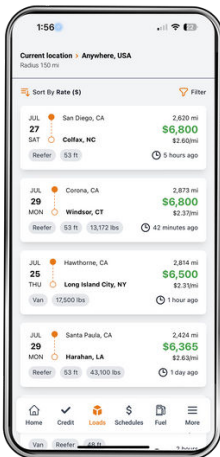


Question 16

Can a Factor Help Me Find Freight?

ANSWER:

That typically depends on a few things. How's your safety score? What kind of equipment are you pulling? What are your traffic lanes? Most factors have a list of preferred brokers they can send over to you and a few of the leading factors have exclusive relationships with various loadboards and/or brokers and shippers. We have a partner company that handles quite a bit of freight throughout the 48 contiguous states as well as an exclusive relationship with 123Loadboard. Give us a call and let us know what you're looking for and the lanes you typically run and we'll do what we can to help. Find loads directly in the Thunder Mobile App by going to the loads tab at the bottom of the screen.



Give us a call and let us know what you're looking for and we'll do what we can to help.



THUNDER FUNDING

Question 17

What's Involved in a Setup Process?

ANSWER:

Some factoring companies have a relatively long process while others can set you up within minutes. The difference typically depends on how the factor is funded. If they are bank-owned, the application process will normally take longer and involve more scrutiny. Bank-owned factoring companies are much more conservative and therefore can be more difficult to work with. Privately-owned factors have the ability to manage their due-diligence as they see fit and can use their own experience to determine whether a carrier qualifies. The setup process involves some verification of company ownership, a review of your current aging (if any) and a business search to determine whether your accounts are already pledged to another company. If the due-diligence comes back clean, a carrier can be setup and ready to go the same day they made the inquiry.

“ *A carrier can be setup and ready to go the same day they made the inquiry.* ”

THUNDER FUNDING



Bonus Section

Seven Secrets to Running a Lean Trucking Company

Running a lean trucking company is very important in this day and age. Equipment costs are high. Diesel prices are high, and freight rates have not kept up with the rising inflation within the industry. To survive, here are 7 secrets successful trucking companies implement:

1. Hire good drivers and pay them a little higher than the going wage.

Don't nickel and dime your way into a bad driver. A good driver takes pride in his equipment and is good with your customers, shippers and receivers. They will take care of your expensive equipment and keep you updated proactively if things come up. They represent you and a good one is worth the extra dough. A bad driver can cost you your company. Don't be cheap here!

2. Spend time managing your diesel purchases.

Don't just grab fuel when the truck gets low. Spend time analyzing the route and plan accordingly. In some cases, much cheaper diesel can be found just a few miles down the road.

Dedicate time to this. It's a critical part of your business and getting into the details will help lower your overall spend. Just because a driver likes the showers at one location doesn't mean he has to buy higher priced fuel because it's more convenient than stopping again later.

.....

3. Do your best to send your trucks into tight markets.

Knowing the market conditions every day is important. Sending your trucks into these "tight" zones will always ensure you are positioned to get the highest paying freight. Don't pass on a load that's a little cheaper but puts you into a tight zone, for a higher paying load that puts you in a dead zone. Landing here may mean a choice between laying over multiple days, deadheading out, or taking a really low paying load just to move your truck. The idea here is to know the market and manage your equipment accordingly.

.....

4. Control your spending.

When things seem good, it's important to put some of this loot in a safe place. Avoid the new bass boat or the Harley you've always wanted for now. Chrome looks cool but doesn't get you higher paying freight. Carriers often make the mistake of spending too much during the good times and are not prepared to get through the crunch times. As an example, refrigerated carries typically do well in California through the summer, but face a bitter cold spell during the slower cold months. Too often, the money made is not put away and a carrier will find him/herself in a tough predicament. Save, save, save.

Simply putting away a few hundred dollars each month will go a long way when lean times come or unseen repairs pop up. Yes, you can afford this.

5. Negotiate higher paying freight for better terms.

Large carriers do this well. They utilize their saved cash by asking for higher paying loads in return for slower paying terms. Brokers and shippers have their own cash restraints and knowing they can pay you in 40 days rather than 15 days, in exchange for an extra \$100-200 on an invoice, is often accepted. Smaller carriers can use a factoring company which will charge a small fee, but will receive this higher rate from the broker which can be used to offset the factoring cost. In the end, the carrier receives his money right away at no additional cost to him. We all know the rule – cash is king! In this case, putting your cash to work is a smart choice. Don't be afraid to simply ask for a little more from your customer.

6. Get on a consistent plan/lane.

Jumping from load to load does nothing to help you build relationships with your customers. Find an area or two of the country that you don't mind going into and stick with it. You will begin forming relationships with brokers and traffic managers who will get to know your work ethic, on-time rates, and overall dependability. These carriers are always paid more than somebody just dropping in looking for a load. There is an incentive for the customer to take care of you because he/she knows you'll be back again in a couple of weeks. Having these relationships not only helps with higher paying freight

but it ensures your trucks will receive priority and get loaded before others. This helps to eliminate long deadheads or costly layovers.

7. Running one truck takes as much work as running five – grow your company.

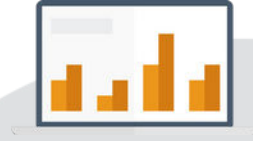
I know, I know. It seems crazy but it's a lot like making hamburgers on the grill. It takes just as much prep time to grill one as it does ten, but much more rewarding to gobble down a bunch of them right? Maybe not. That being said, you're already checking fuel prices, talking with customers, hiring drivers, managing costs, so why not maximize your efforts. Building a trucking company requires doing more of what you're already doing. There are plenty of good deals on used equipment and equipment financing is not too hard to get. Having cash flow allows you to negotiate on knowledge not on impulse. Build your company with this in mind.



- 1. Hire good drivers and pay them a little higher than the going wage.



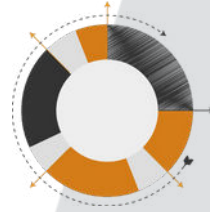
- 2. Spend time managing your diesel purchases.



- 3. Do your best to send your trucks into tight markets.



- 4. Control your spending.



- 5. Negotiate higher paying freight for better terms.

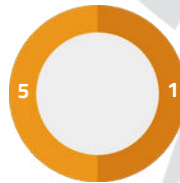


- 6. Get on a consistent plan/lane.



- 7.

Running one truck takes as much work as running five - grow your company.



Thunder Funding is a carrier services company that provides working capital to trucking businesses of all sizes through factoring. We purchase your freight invoices and quickly turn them into next day cash. We handle the billing and collections on your behalf, so you can get back to focusing on what matters most - growing your business!



For More Information Visit Our Website!





THUNDER
FUNDING

