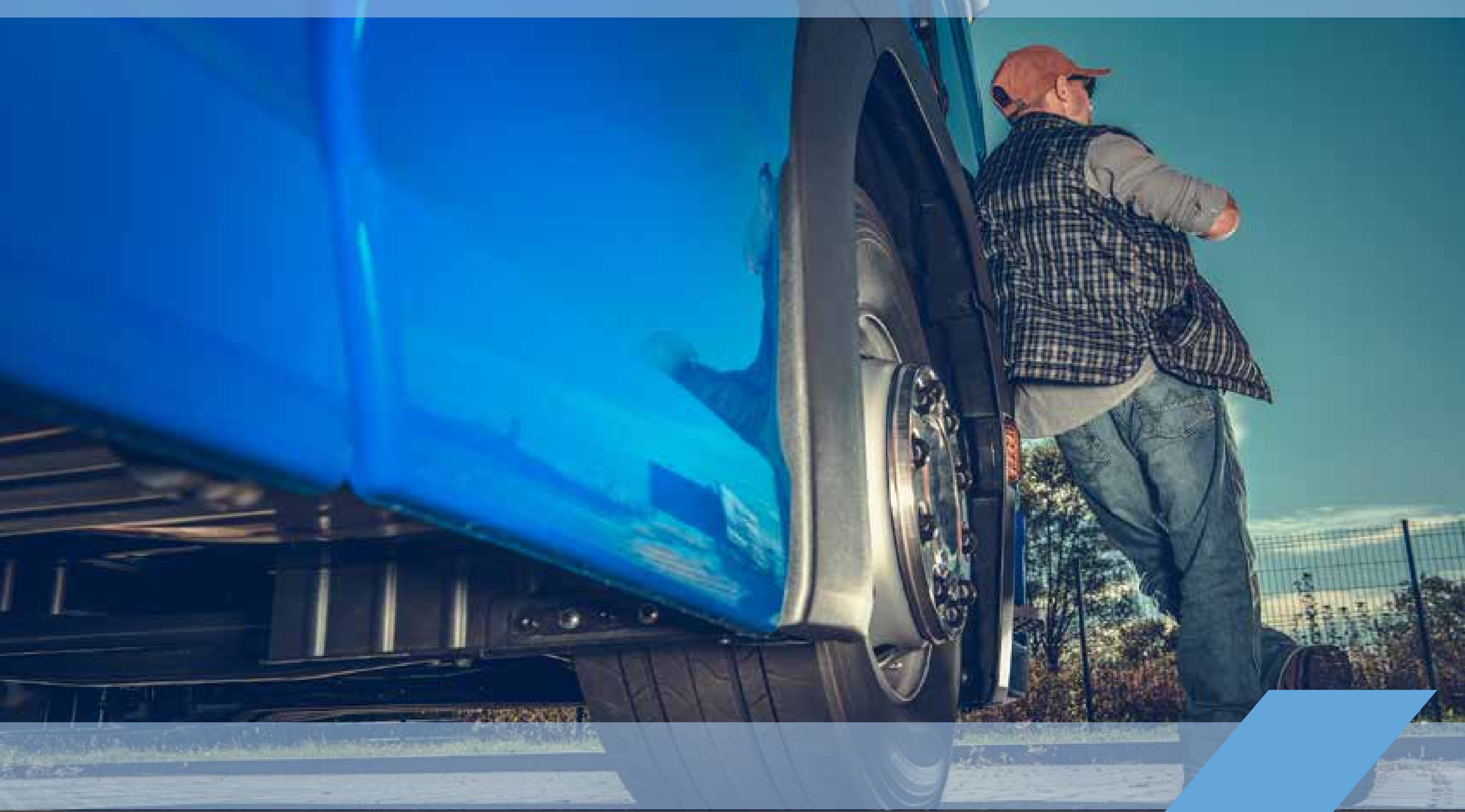


Trucker’s Guide to Freight Factoring

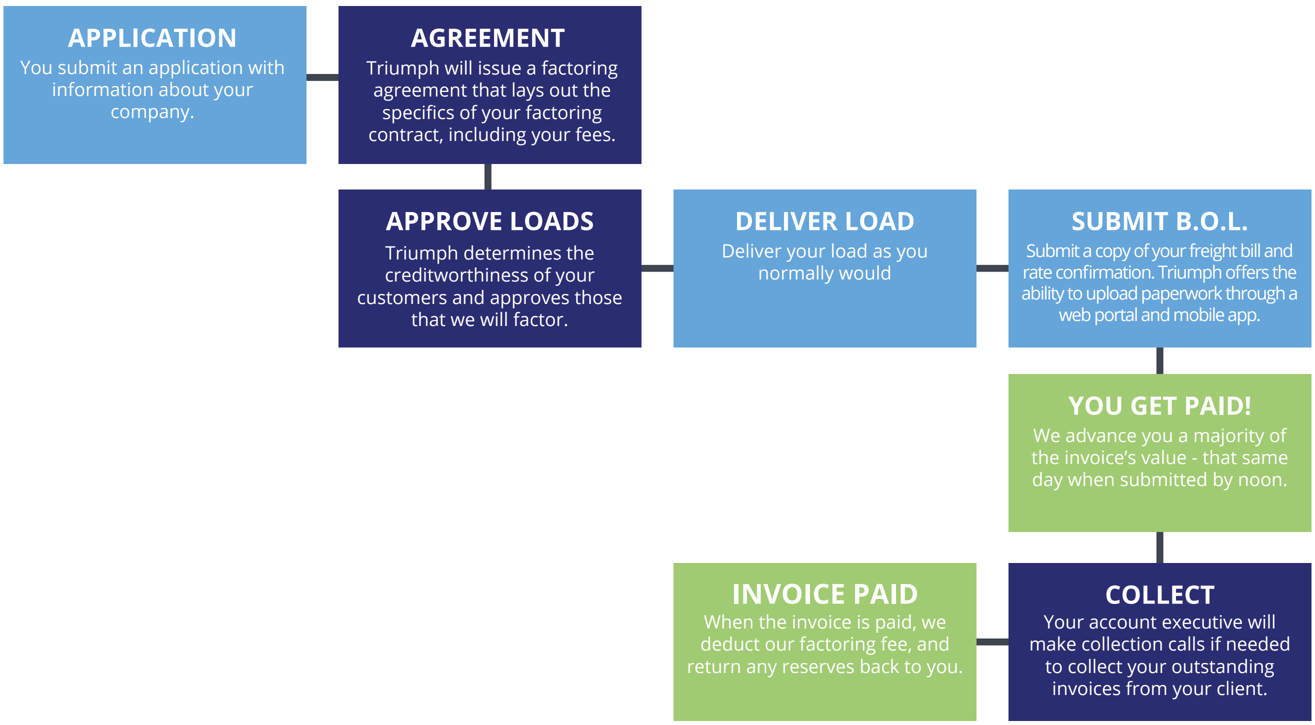
TRIUMPH
BUSINESS CAPITAL

Owning and managing a business isn't easy. In the course of the day, you may wear many different hats: owner, manager, accountant, marketer, and human resources manager, to name a few. And when you're juggling so many things, it's easy to let something important slip through the cracks.

That's where invoice factoring comes in. It's a financial service that helps streamline cash flow, leaving you free to handle other aspects of your business.

How Factoring Works

Freight factoring, which is also sometimes called transportation factoring or trucking factoring, may be able to help you get a handle on your business finances and credit. Here's a quick overview of how freight factoring with Triumph Business Capital works.



As you can see, the freight factoring process is very simple. It's designed to streamline cash flow for transportation companies, allowing them to pay their expenses and grow their businesses.

Are Back Office Solutions Part of Transportation Factoring?

One of the things that you may not know about freight factoring is that factoring companies offer additional back office services. It's not just a cash advance product. For example, at Triumph Business Capital, we offer:

- ✔ Credit checks (including online credit checks)
- ✔ Online reporting
- ✔ Fuel discounts
- ✔ Free trial to DAT load boards
- ✔ Invoicing and collections services
- ✔ Data storage
- ✔ Fuel advances

We have worked with over 20,000 carriers, freight brokers and shippers. We understand the specific challenges associated with operating a trucking company, and we're here to help.

Is Freight Factoring Right for You?

When deciding if freight factoring is right for your business, you should start by asking yourself these questions:

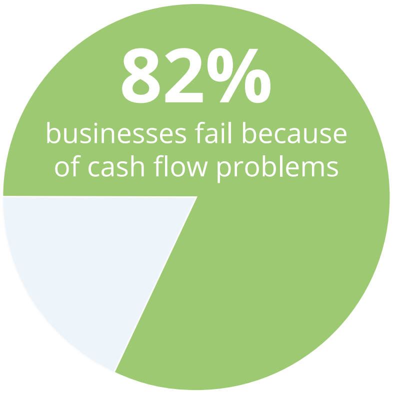
- ✓ Do my customers take a long time to pay me?
- ✓ Is a lack of cash flow negatively impacting my ability to grow my business?
- ✓ Are slow paying customers impacting my ability to pay my vendors on time?
- ✓ Do I know the broker/shipper will pay me before I take a load?
- ✓ Am I spending my valuable time making collection calls?

If you answered 'yes' to any of these questions, then there's a good chance that factoring some or all of your invoices can help. Your time is valuable. By taking advantage of what factoring can offer in terms of cash flow and back office services, you can spend more time servicing your customers and expanding your business. To learn about our factoring services for transportation companies, contact Triumph Business Capital today for a free assessment.

(866) 368-2482

Keep These Tips In Mind When You Choose A Factoring Company

Remember that not all invoice factoring companies offer the same services or programs, so it's important to find the right company that meets your current needs before signing the contract.



Ask: What's included in the invoice factoring fee?

It's easy to assume that the invoice factoring company with the lowest fees wins. But, as an owner-operator, you know that just because something is cheaper, it doesn't mean it's better. You have to consider and understand what's the behind the cost.

Some invoice factoring companies offer promotional discounts or have minimum requirements you have to meet each month to qualify for the lower fee. It's important that before signing an invoice factoring contract that you read and then re-read your agreement to understand how it's structured. Like most business contracts, there's not a lot you can do once you've signed it.

Ask your factoring company what other back office solutions they help you with.

Most factoring companies include additional services included in their fees. So, unlike a bank loan, you're getting more than just money. You're getting a team of trained professionals who work with brokers and shippers every day and understand the transportation business. That means that instead of being tied up on calls with brokers asking about payment on a load from three weeks ago, you've already been paid on that load, and your factoring company works on your behalf with the broker to make sure it's paid.

Look at the business invoice factoring company's reviews and overall reputation.

In addition to comparing rates and services, it's also essential to try to access some direct feedback from satisfied (or not so satisfied) clients. This can give you a more realistic idea of what it's like to communicate with and conduct business with the provider. If possible, try to find reviews and feedback that's not directly from the company website — these are more likely to be filtered for positivity.

Reviews can be helpful, but also ask other drivers in the industry. Those referrals will probably give you a fairer review of their company.

Not all reviews are going to give you the complete picture. You know as a business owner that public reviews can be misleading or not give all the details of a problem. Also, look at the total amount of reviews. If a company only has a handful of reviews, it may not give you a good sense of the company's service and professionalism.

If you're looking for invoice factoring services for your trucking business, contact Triumph Business Capital today. We've helped thousands of owner-operators get the money they need for their businesses. We can help you, too.

Call 866-368-2482

Non-Recourse Factoring

You have bills to pay. What now?

With factoring, you sell unpaid invoices to a factoring company like Triumph Business Capital, which pays you the amount you're owed on the invoice less a small fee, and then the factoring company is responsible for collecting from your customer.

What if your customer doesn't pay?

There are two basic types of factoring: recourse and non-recourse. Recourse factoring is kind of like a loan in that if your customer doesn't pay the invoice, you owe the money on that invoice back to the factor.

With non-recourse factoring, the factoring company evaluates the credit risk of your customer and agrees to take the loss if the customer can't pay because the broker went bankrupt.

Non-Recourse Factoring Doesn't Cover	Non-Recourse Factoring Does Cover
DUE TO PERFORMANCE OR DISPUTES Most non-recourse factoring contracts have a clause that says you are responsible when the customer refuses to pay an invoice because of a "dispute of any kind, regardless of validity." When a customer says your delivery was late and is only going to pay 50% of the invoice, or holds up payment because there's a document missing, these are issues that would not be covered in a non-recourse factoring agreement.	**DUE TO BANKRUPTCY** If your customer's business fails or files for Chapter 11 bankruptcy protection, the factor will be the one standing in line at the bankruptcy hearing, hoping to get paid. After all, it bought the invoice based on the creditworthiness of your customer.

Non-Recourse Factoring Gives You Control

To review, if a factoring service agrees to buy an invoice and the customer can't pay for it because the company went bankrupt, the factoring company will absorb the cost. But if the customer won't pay due to your performance, you're not covered. That's not such a bad thing because you don't want a third party handling discrepancies with a customer anyway. You probably worked hard to earn that business and if something threatens the relationship, it should be up to you to address it.

An experienced factoring company knows how to evaluate credit risk in your specific line of work. If you find that your factor is routinely asking you to pay money back (a "chargeback") on invoices that you thought were non-recourse, get specific. Ask for details. Is it related to something that can be tied back to you and the performance of your business? Or is there some other reason the factoring company can't collect?

Non-recourse factoring is a common and convenient way to turn something of value—your invoices—into the cash you need. Not all factoring agreements are the same so it's important to read the contract and ask questions when you have them. If it's confusing or you're not getting answers, then maybe it's time to look at someone else to factor your invoices.

Don't Fall for These Myths About Business Invoice Factoring

Before choosing the right invoice factoring service for your business, it's important to understand the facts. It's also important to clear up the potential misconceptions about invoice factoring. Here are just a few invoice factoring myths you shouldn't believe.

Myth 1: Business factoring services are expensive.

60%

of all invoices are

PAID LATE

The most common misconception about invoice factoring services is – no surprise – related to the cost. Most charge a small percentage of the invoice total to provide your business with the immediate cash flow it needs to help meet your day-to-day expenses.

The reality is that no business can survive for long without a consistent stream of income.

Recent research suggests that nearly 60 percent of all invoices are paid late. Invoice factoring ensures that you're not waiting for your money or wasting your time chasing down slow-paying clients.

Invoice factoring companies also provide additional services as part of your fee. These services — invoice creation and submission, collections, credit checks on your future clients — can be invaluable resources to busy small business owners who are wearing too many hats. Invoice factoring companies provide a team of back office professionals that keep your paperwork in check and make sure that you're getting funded on the work you've completed.

When considering working capital solutions for your business's cash flow issues, it's important to keep in mind the additional benefits included in the factoring services and calculate the overall benefit to your business. Outsourcing your invoicing and collections processes can lead to savings in time and money, allowing you to dedicate more resources to growing your business.

Of course, the exact fee and costs associated with factoring depends on your specific business situation.

Myth 2: My customers will look negatively upon invoice factoring.

Some people think that businesses using invoice factoring might be having financial issues or may not be seen as dependable vendors. More than that, some business owners worry that a third party provider contacting your clients to follow up on payment may be seen as more of a collections service rather than an extension of your accounts receivable department.

But the reality is that thousands and thousands of businesses use this form of accounts receivable financing for their small business funding. Increasingly, invoice factoring is becoming more common across industries, as companies look to streamline their account receivables process.

Myth 3: Invoice factoring companies won't work with businesses that aren't 'established.'

Whether you just started a company, or you've been in business for a long time, if you have an invoice, you can take advantage of business factoring services.

The reality is that most startups don't have enough credit to qualify for traditional loans and financing. Conversely, invoice factoring looks at the credit history of your clients when deciding to purchase your outstanding invoices.

The best way to know if factoring is a great short- or long-term fit for your business is to be as straightforward and direct about your financial history and situation as possible.

Myth 4: All invoice factoring companies are the same.

It's easy to assume that all invoice factoring companies offer the same services, charge the same rates and have the same contract terms. But in selecting a factoring company, it's important to remember that there can be significant differences among providers.

For instance, depending on your agreement, many factoring companies require you to submit all of your invoices for funding and maintain monthly minimums (or be charged a fee). Not all factoring companies have these policies, so it's important to ask and to read and then reread your contract to understand what you're agreeing to and for how long.

Ultimately, it's important to understand the facts about the services provided by an invoice factoring provider and the services that they provide before you decide on a working capital solution. If you're ready to move forward or have questions about invoice factoring, contact **Triumph Business Capital today for a free rate quote.**

(866) 368-2482

Debt Collection vs. Invoice Factoring

There's actually a huge gap between debt collection and invoice factoring. Think through these three key differences before reaching out to either one.

1. Purpose

The primary purpose behind using a debt collector is very different from the reason you'd use an invoice factoring company. While invoice factoring involves current unpaid invoices—no more than 30 days old—debt collection deals with invoices that are at least 60 days past due.

DEBT COLLECTION	INVOICE FACTORING
If you're still trying to get paid months after you've completed the work, it might be time to check in with a debt collection agency.	If you prefer timely payment for your work instead of relegating your receivables to the bad debt file, you'll want to connect with a reputable invoice factoring company.

One of the benefits of working with an established and reputable factoring company like Triumph is that we'll not only factor your invoices, we'll also provide a host of back office solutions—including payment services—to ensure that you get paid on time for the work you perform. Welcome to the best of both worlds.

2. Funding timeline

How much longer are you willing to wait to be paid? The difference between how long it takes a debt collector to get funds to you and how quickly an invoice factoring company sends you funds can be a game changer.

DEBT COLLECTION	INVOICE FACTORING
You'll be paid, but only after the collection agency receives payment from your customer. That can take time—if it happens at all. Add an aggressive process that can alienate customers, and you may decide that engaging a debt collection agency just isn't worth it.	With factoring, you simply sell your invoices at a small discount and get immediate cash for your business. How fast? You get paid before the factor receives any money from your customer—usually within 24 hours.

3. Fees

How much are you willing to pay to be paid? In an ideal world, the payment conflict wouldn't exist. But in today's environment, unfortunately, you often end up either arm wrestling your customers or throwing up your hands.

DEBT COLLECTION	INVOICE FACTORING
When you hire a debt collector, you'll likely pay a hefty 25% to 30% collection fee—which still beats giving up 100% of an unpaid invoice.	With factoring, you'll receive an immediate payment from the factor-usually 90% to 100% of the invoice-followed by any remaining balance (minus a fee) as soon as the factor collects full payment from your customer.

Invoice Factoring vs. Traditional Bank Loan: What's The Difference?

Invoice factoring and a bank loan have very little in common—other than the fact that both provide cash to small businesses. Here's a simple factoring vs. bank loan comparison to help you decide which can work for your business.

	Invoice Factoring	Line of Credit
Cost	Based on volume	Varies bases on collateral
Qualification	Very little requirements	Extensive process
Approval Time	2-3 days	Weeks to Months
Credit Limit	Flexible	Restrictive
Maintenance	Easy	Difficult to Maintain
Access to Funds	Easy	Easy
Line Increase	Simple and quick	Complicated and slow
Collateral	Only accounts receivable as collateral	Usually all company assets

Invoice factoring

With invoice factoring, you simply convert your invoices into immediate cash to cover operating costs without taking on debt.

Worried about your credit? No problem! Invoice factoring is primarily based on the quality of your customers' credit, not your own credit or business history. While most banking institutions look at the same documentation we do, our focus is primarily on the quality of your customers. Don't let the successes and failures of your business journey stop you from getting paid.

Plus, invoice factoring works fast. You'll typically receive approval in a few business days. Better yet, there's no debt to repay, and you have unlimited funding potential.

As long as you have invoices, you have the opportunity to convert them into cash. Even startups are eligible for factoring.

Traditional bank loan

Compare that to a bank loan. You pay principal and interest over time, and the funding potential is capped by the bank. After completing all necessary paperwork, the approval process can take months—and it's based on your company's operational and credit history. If you're a startup, chances are you won't be approved for bank funding.

Additionally, bank loans and lines of credit often carry what's called a loan covenant. Essentially they're conditions in a commercial loan that require you to fulfill certain financial performance requirements. If you don't meet the covenant requirements, you can default on your loan or line of credit. If your bank representative is nice, they may waive the default and charge an additional waiver fee. In the end, it'll likely cost you more than you bargained for.

Bank loans or lines of credit also come with restrictions that forbid you from taking certain actions like purchasing or selling assets for your business, incurring additional debt for any reason, and more. Because of restrictions, you'll often find yourself with the financial resources you need without the freedom to use them to solve your biggest business problems.

While a "line of credit" implies that you'll be financed for whatever you need up to a certain amount, more often than not, that's not actually what happens. Your credit line often comes with so many restrictions that it's often easier to look for the next best option.

Which is best for your business?

If you own a business that has a long history of favorable cash flow and profits, or is well-capitalized, then a bank line of credit might be the right choice. But if you're a new business—or one that may have had a significant hiccup somewhere along the road—then consider invoice factoring.

Invoice factoring gives you immediate cash flow without creating debt on your balance sheet, and it's virtually an unlimited source of working capital.

While banks require a wide range of collateral and financial statements, often refusing businesses that need additional funding but can't meet the stringent borrowing requirements to qualify for a new bank loan.

What Trucking Businesses Should Know About the Invoice Factoring Application Process

Applying for invoice factoring services requires a certain level of thoroughness and attention to detail. The more you know before, the faster the process will be. Ultimately, that means quicker access to working capital for your business.

1. YOUR FINANCES	2. CONSULTATION	3. CONTRACT
Before you meet with any specialists or submit any applications, it helps to have a solid understanding of your company's financial history. Some questions you might be asked: ✓ What type of loads do you haul? ✓ How many current clients? ✓ Monthly revenue average? ✓ How much in outstanding invoices? ✓ Do you have any liens or judgments against your business? Be prepared to answer these questions and provide documentation to support them.	You'll likely be required to consult with an invoice factoring services specialist about the options that are best for you. Your rate is going to be based on the information that you provide during these conversations, so it's critical that you're upfront about any potential red flags like bankruptcies or tax liens. They'll come up on a routine credit check anyways. Remember: when you're applying for invoice factoring services, more goes into the approval process than your credit history. Past issues may not disqualify you from getting the funds you need.	Some factoring companies require you to submit a minimum amount in invoices each month. If you don't meet that amount, you may be charged a fee. Remember that you're selling your invoices to a factoring company, which then collects that outstanding amount from your client based on the terms of your contract. If your client doesn't pay that amount by the contract date, you may be charged back by the factoring company. Read your contract to make sure that it matches everything discussed. Then, read your contract again.

How Much Does Invoice Factoring Cost?

When calculating the cost of invoice factoring, it's important to remember the benefits it can provide to small businesses and to always consider your own business situation and goals.

The many benefits of invoice factoring

- ✓ No more invoices to process
- ✓ No waiting for clients to pay
- ✓ Immediate cash in hand
- ✓ Simplifies your bookkeeping experience
- ✓ Helps you get paid on time every time

The benefits of invoice factoring are many, but how much does it actually cost? We'll explain everything you always wanted to know about invoice factoring.

Non-recourse factoring vs. recourse factoring

With non-recourse factoring, the factor assumes the risk of collecting the debt. That's a lower-risk option for small companies that can't absorb the cost of unpaid invoices, but it does cost slightly more than recourse factoring.

Larger corporations often favor recourse factoring because, if a customer fails to pay, they can afford to return the funds they received from selling the uncollectible invoice to the factoring company.

Aside from the cost differential between the two, there are times when the cost differential is not justified by the credit risk being taken.

For example, if you're selling to WalMart or the Federal Government, the chances of either one not paying because of credit reasons are quite small. Thus, paying a premium for non-recourse starts to look a little less attractive. If you do elect for non-recourse factoring, pay special attention to the Security Agreement that you'll be required to sign and make sure you ask the factor to specifically go over when you will be covered and when you will not be covered from credit risk.

So how much does invoice factoring cost?

Fees vary from factor to factor, so check with your factor before getting started.

Application/Due Diligence Fee	Some factors charge this fee some do not. Those that do not may recover this upfront expense by increasing the initial financing fees. This fee varies highly from factor to factor and can cost anywhere from zero to thousands of dollars.
Factoring Fee	The factor retains a percentage of each invoice, typically 1–3%.
Monthly and Termination Fees	Some factors may require that you sell a certain amount of your invoices each month and sign a long-term contract. If the monthly target isn't met, a minimum monthly fee will be charged. Terminating the contract early can trigger a cancellation fee.

Triumph's factoring fee depends on your unique factoring agreement. Our factoring experts consider whether you've chosen recourse or non-recourse factoring, the credit quality of your customers, and more. But in general, let's say you decided to factor $3,000 with a 95% advance rate over a 90-day repurchase period. Meaning, you'd get paid $2,850 within 24 hours of submitting your load, and the final 5%—minus standard factoring fees—when the invoice is collected.

While the scenario we just presented is common, it's important to remember that your factoring fee will vary depending on the terms of your factoring agreement.

How does Triumph Business Capital compare to other factoring companies?

Now that we've broken down the fees, let's get into specifics. While not all factors are entirely transparent with their pricing, Triumph is an open book. The last thing we want to do is surprise you with a fee. Here's how our pricing structure compares to other popular factors you may have heard of.

Other companies charge flat advance rates of 10–15% and $15 per wire, but offers free ACH transactions. Some don't include a setup fee, but they charge a fee based on the advanced amount.

Triumph Business Capital, on the other hand, works with your business to fit your budget and requirements. Triumph takes into consideration the credit risk associated with your customers, the time it takes them to pay their invoices, and the monthly funding volume we forecast for your business.

Can invoice factoring save you money?

Consider this simple illustration. You decide that invoice factoring is the best option for your business, so you convert your invoices into cash instead of waiting a month or more to get paid.

With immediate cash in hand, you can stop worrying about how you're going to pay your bills and get on with growing your business. And when you pay vendors more quickly, you can take advantage of their discount offers, which saves you money. You've not only gotten invoice collection off your plate, you've paid your bills and saved money in the process—and that's good business.

Ready to Factor with Triumph Business Capital?

Whether you own a small or large fleet, your trucking business can qualify for invoice factoring. The qualification process is mostly about your customers; if their credit is strong, you'll likely qualify. For more information, contact Triumph's experienced team of professionals.

(866) 368-2482