



Trucker Reality

By OOFI • Sep 02, 2022

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In uncertain times, and even in the best of times, there may be instances where you as an owner-operator run into cash flow problems and need to pay your bills.

Facts on Factoring Services



Examine carefully the details of any agreement including a factoring service agreement.

Recently, a factoring company called CoreFund Capital closed its operations leaving many small carriers without funds to operate.

- Although the carriers had delivered their loads, they couldn't get paid even if the shipper/broker had sent the money because they were bound by a factoring agreement.

The bottom line: Factoring can be a short term and temporary answer to a cash flow problem.

- **We emphasize** that you should see them as a short term and temporary answer.

Why short term and temporary?

- Factoring services file a UCC-1: A Uniform Commercial Code-1, or UCC-1 financing statement, which is a legal notice that creditors file as a way to publicly declare their rights to potentially obtain the personal properties of debtors who default on business loans.
- Most factoring services will advance only a percentage of the purchased receivables and put the rest into an escrow account. The factoring service has full access to the escrow account.
- Many brokers and shippers will not deal with a third-party invoice service or factoring company.
- Factoring companies often reject certain brokers and/or shippers. They may have had bad experiences with them before. This could be good to know.
- Many factoring services demand that all invoices go through their service.
- **They may require you agree to Recourse —which in case of a default, the factor can deduct the agreed funds advanced from the escrow and usually an additional fee?** (Embolded because it is the most egregious)
- Factoring companies take control of your invoices and thus your income. How much of your business are you willing to give to the factoring service, as you will be required to send a “letter of appointment” to all your customers requiring that they pay all invoices to the factoring service?

[Go deeper](#) to find 6 more reality checks, or questions, as well as some positive impacts that can be useful from using a good factoring service.

Will automated trucks have to be all electric?



The Inflation Reduction Act provides incentives to buy electric trucks; tax credits of up to \$40,000 per truck.

Reality Check:

- Put your wallet away! There are no electric trucks (or any vehicles) on the market today that qualify for the EV tax credit.
- The IRA requires that at least 40% of materials sourced be from North America or a U.S. trading partner by 2024.

Reality Check:

- Most EVs run on lithium-ion batteries that are mostly made in China. The U.S. has only 8% of the battery market as compared to 76% by China.
- According to International Energy Agency (IEA), the industry needs to build 50 more lithium mines, 60 more nickel mines, and 70 more cobalt mines by 2030 to meet global net carbon emission goals.
- Even graphite, of which North America produces 1.2% of the world's supply, is running short. China produces 79% of the world's supply.

Automated commercial vehicles will require grater amounts of electricity to function properly.

Reality check:

- Third-party studies by J.D. Power found that owners of electric vehicles and plug-in hybrids reported an average of 240 and 239 problems per 100 vehicles.
- This compared to 173 for ICE vehicles.

No one doubts that automation and electric power is coming but give us the true picture not the PR given to attract investors.

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