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# 3 Equipment Finance Tips for Trucking Companies

Positive economic indicators abound in the U.S., from stronger job growth to improving consumer confidence, signaling optimism ahead.

Transportation companies should be especially optimistic: Freight volume is projected to grow 37 percent in the next 10 years, according to a recent forecast from the American Trucking Association.

As the economy continues to improve and consumer demand increases, trucking company owners sometimes have trouble keeping pace. It's not always easy to secure adequate equipment financing to purchase large assets such as new tractor trailers and the latest technology to modernize their operations.

The good news is that the positive economic forecasts make this an excellent time for carriers to get equipment financing in motion, said Déva Brooks, vice president and certified lease and finance professional at First American Equipment Finance, a City National Bank company.

"I think lenders are certainly eager to lend," she said. "And most of our customers are very positive about the future."

Here are three equipment financing steps trucking company owners can take to ensure their business is ready to flourish.

**1. Assess your current *and* future equipment needs.** Before meeting with a lender and asking for equipment financing, trucking company owners should do some strategic planning. The executive and financial teams should assess current and future capital expenditure plans, considering new routes and drivers they hope to add, as well as the trucks and technology needed to accommodate that growth.

"Look at your projections to evaluate what your needs are going to be to grow your company for the next three to five years," Brooks advised. Remember that equipment financing isn't limited to tractors and trailers. Companies may need to finance the GPS tools that guide their rigs and the software that keeps their entire operation running smoothly. Lenders such as First American can help finance these essential tools in addition to vehicles.

**2. Find the right financial service provider.** Make sure your provider is willing to work with you on a long-term basis instead of just on a transactional basis, Brooks said. Rather than settling for a lender who only wants to process a one-time, high-dollar equipment need, it's smart to find a firm that can provide other banking services, such as cash management and working capital loans, in addition to equipment financing and leasing.

**3. Understand your financing options.** The right financial provider will guide you into the right equipment financing structure. Don't look for a one-size-fits-all solution, Brooks said. “It's important to be aware of all the options that exist and meet your tax, accounting and capital usage requirements."

Here are a few financing options:

**Lease line of credit:** This facility allows a customer to be pre-approved for a certain amount of capital targeted for equipment once they're ready to purchase.

"We'll ask the client, 'What do you plan to acquire within the next six to 12 months?' That gives us the ability to go in and pre-approve the customer for the amount they will need so that they have assurance the funds are set aside for those specific acquisitions," Brooks said. While a lease line is not a revolving line of credit, flexible lenders can increase that line as the borrower's needs change.

"For example, they may have a new contract that they've won and they're required to increase their capacity, so they're going to need to take on additional vehicles or certain equipment," Brooks said. "We can then look to increase that approval line to accommodate that change."

A lease line of credit may also be utilized for any of the following:

**TRAC lease:** A “terminal rental adjustment clause" (TRAC) lease allows a client 100 percent financing with a pre-determined residual that's agreed upon at the start of the lease. That means the client knows the amount they will pay at the end of the term.

"That allows the client not only 100 percent financing but a lower monthly payment," Brooks said. "So ultimately, it's a product that helps companies improve their cash flow."

And cash flow is king, especially for newer companies looking to keep costs down. But it also is a benefit for businesses that want to set aside money to invest in anything from marketing to training to truck driver recruitment.

**Operating lease:** Under the new lease accounting standard, an operating lease will have the lowest lease liability reported on balance.

**Equipment loan**: A loan usually calls for a down payment and higher monthly payments than does a lease, but companies with cash on hand and an interest in owning their equipment outright at end of the term should consider this option.

For more information on trucking equipment leasing, visit First American.

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