

Freight Brokers Academy

Training Manual



# Freight Broker Basics Online Course:

## **Module 1: Licensing, Legal and Industry Overview**

## What is a Freight Broker?

Freight brokers act as intermediaries by arranging for the transportation of cargo between shippers and motor carriers. The freight broker then receives a commission for his service.

The industry of freight brokering is very simple for a person who can multi-task efficiently. The broker simply finds a reputable motor carrier who will transport the cargo according to the requirements set forth by the shipper.

Transportation brokers utilize shipper and carrier databases, and other technological resources to locate shippers and carriers that will benefit from their services. A number of companies find the services provided by freight brokers indispensable. In fact, some companies hire freight brokers to coordinate all of their shipping needs. Many freight brokers gain experience in the industry by working for a shipper or carrier as a freight agent. In this way, an aspiring broker can learn knowledge of the industry, as well as establish a network of business contacts.

### Intermediary

A freight broker plays a pivotal role in the movement of cargo in the U.S.A. The freight broker determines the needs of a shipper and then contracts a carrier willing to transport the items at a fair price to his brokerage. Freight brokers carry insurance to protect their shippers and their own brokerage from loss. Insurance is not a requirement as much a safety net for the freight brokerage.

Freight brokers have a value to both shippers and motor carriers. Freight brokers assist shippers in finding reliable motor carriers that would at times be difficult to locate. Freight Broker's assist carriers in finding loads for their trucks. Freight brokers earn commissions off the loads that are successfully placed by their brokerage.

Freight brokers use their contacts in the shipping industry and other resources to move the freight they have accepted. Many company's cargo would simply not move without the aid of a freight broker.

Freight brokers are occasionally confused with freight forwarders. A freight forwarder will perform some of the same duties as a freight broker. The two professions are however not the same. The principle difference is, a freight forwarder will assume possession of the cargo being shipped, and then consolidate the cargo into smaller shipments. A freight broker however never takes possession of items being shipped.

Freight brokers gain valuable contacts in the transportation industry by working for a shipper or carrier as a load dispatcher or another freight brokerage as an agent. Networking is an import asset in the movement of freight.



## Home or Office?

Establishing your office is very easy as a freight broker. A freight brokerage is the perfect business to operate within the confines of your home. However, if you wish to increase the size of your brokerage by adding freight agents, you will find an office is definitely needed.

Whether you're telecommuting to your new office or working at home, running your freight, setting up your office requires some careful thought and planning. You need to consider not only issues with regard to functionality, lighting, and ergonomics, if you want to take a home office deduction on your federal income tax return there are other considerations you need to think through.



For those who work at home, it's the notion they can put in a full eight-hour day and handle their own daycare at the same time. For most people, work and home are as separate as church and state or oil and water. But, for people who have set up shop in a home office, life can intrude on the job environment just as easily as work can spill into home life. Take the barking dog (please!) that can be heard as background noise on a conference call. The solution to keeping the two spheres from colliding is deceptively simple, according to the experts. They say it's just a matter of having boundaries as well as the discipline to enforce them.

On the physical level, that boundary takes the form of a doorway, and ideally, a room that is for nothing other than work. Having a separate, single-purpose room is also critical in the event of a tax audit, at least for those who take the home-office deduction and pay a percentage of household expenses from the business. While the IRS may have softened a bit on its interpretation of what constitutes a home office as home workers have increased, auditors want to see a space that isn't also a playroom or a guest room, for example. So tax collectors can be viewed as doing the big favor of helping taxpayers maintain those boundaries.

A separate, business-only phone line is also critical. It gets answered in the business name, either by you or your most sober-sounding voicemail announcement. The point is to impart the air of a professional, not a hobbyist. And by closing that office door at night, you avoid the trap of hearing the fax machine ring at some unspeakable hour, followed by the puzzlement over who could have sent it and why.

Clearly, boundaries can be drawn physically or virtually, and the beauty of the home office arrangement is that workers are limited only by their creativity, resourcefulness, and the ability to balance. That's not always easy, but done right, it can offer up the best of both worlds to clients and families, without making everyone insane.

## Legal Requirements

### Operating Authority

The FMCSA charges \$300.00 to apply for operating authority. The Motor Carrier Authority application form is (4) pages. You can fill it out online or submit via the USPS. Once you have filed for a motor carrier authority, no additional fees are required for a US DOT number.

### How do I get FMCSA authority?

Contact the Federal Motor Carrier Safety Administration (FMCSA) for the requirements needed for issuance of an FMCSA number. Once applied for, it will take approximately 60 days for the request for authority to be approved. First, you will receive a letter from FMCSA with your FMCSA number listed. You will receive a final authority letter a few weeks later. ( Website Link -[https://li-public.fmcsa.dot.gov/LIVIEW/PKG\\_REGISTRATION.prc\\_option](https://li-public.fmcsa.dot.gov/LIVIEW/PKG_REGISTRATION.prc_option) )

### The Surety Bond

You must post a bond in the amount of \$75,000. The amount you pay for your bond depends on the type of bond the financial institution that provides the Surety Bond to your company.

**Security** -A property broker must have a surety bond or trust fund in effect for \$75,000.

- Evidence of a surety bond must be filed using the FMCSA's prescribed Form BMC 84.
- Evidence of a trust fund with a financial institution must be filed using the FMCSA's prescribed Form BMC 85.
- The surety bond or the trust fund shall ensure the financial responsibility of the broker by providing for payments to shippers or motor carriers if the broker fails to carry out its contracts, agreements, or arrangements for the supplying of transportation by authorized motor carriers.

( Website Link -<http://www.pac-fin.com/apply.php> )

### BOC 3 Processing Agent

A process agent is someone on record to accept service of legal documents on behalf of your company. The FMCSA requires that you have a process agent in every state that you travel through or do business in. The BOC-3 form for designation of agents must be filed with the Federal Motor Carrier Safety Administration to complete your freight brokerage authority. ( Website Link -<http://www.fmcsa.dot.gov/registration-licensing/licensing/agents.htm> )

## **Freight Broker Operating Authority (Explanation)**

### **Operating Authority**

FMCSA operating authority is also referred to as an "MC," "FF," or "MX" number, depending on the type of authority that is granted. Unlike the USDOT Number application process, a company may need to obtain multiple operating authorities to support its planned business operations. Operating Authority dictates the type of operation a company may undertake the cargo it may carry, and the geographical area in which it may legally operate.

### **What is the cost for obtaining an Operating Authority?**

Each individual Operating Authority is \$300. Separate filing fees must be submitted with the application at the time of processing for each Authority sought.

### **Filing Fees Are Non-Refundable**

- You can file for the following operating authorities with the OP-1 Application for Motor Property Carrier and Broker Authority:
- Broker of Property except Household Goods
- Broker of Household Goods

### **What are the definitions of common, contract, and broker Authority?**

- Common carriers provide for-hire truck transportation to the general public. Common carriers must file both liability (BI & PD) insurance and cargo insurance.
- Contract carriers provide for-hire truck transportation to specific, individual shippers, based on contracts. Contract carriers must file only liability (BI & PD) insurance.
- Brokers arrange for the truck transportation of cargo belonging to others, for compensation, utilizing for-hire carriers to provide the actual truck transportation. Brokers must file either a surety bond or trust fund agreement.

### **How can I find out if my Operating Authority (MC Number) has been issued?**

(Website Link -<http://li-public.fmcsa.dot.gov>)

If you do not have access to the Internet, please call (202) 385-2423 or call the status line at (202)366-9805 from 8:00 a.m. to 5:00 p.m. eastern standard time. A faxed copy of your Operating Authority is available if 10 or more working days via expedited service by some agencies.

## BOC Processing Agents (Partial Listing)

### What is a Process Agent

A process agent is a representative upon whom court papers may be served in any proceeding brought against a motor carrier, broker, or freight forwarder. Every motor carrier (of property or passengers) shall make a designation for each state in which it is authorized to operate and for each state traversed during such operations.

Freight Brokers are required to list process agents in each state in which they have an office and in which they write contracts. FMCSA Regulation 49 CFR Part 366 details more about The Designation of Process Agents by Motor Carriers and Brokers. Many commercial firms will arrange process agents in any state for a fee. Below is a list of some of the companies that provide this service.

## BOC-3 Processing Agents Partial Listing

### 35 DOLLAR PROCESS AGENTS SERVICE

P.O. Box 6452 Moore, OK 73153-0452  
(405) 573-7775 Fax: (405) 321-9779 E-Mail address: [otppa@sbcglobal.net](mailto:otppa@sbcglobal.net)

### ALL AMERICAN AGENTS OF PROCESS

P. O. Box 1065 Sioux Falls, SD 57101-1065  
(888) 447-9118 Fax: (888) 343-0996  
Website: [www.processagents.com](http://www.processagents.com)

### A-1 LEGAL PROCESS AGENTS

P.O. BOX 347  
Madison, SD 57042  
(877) 275-4287 Fax: (605) 256-6898  
Website: [www.legalprocessagents.com](http://www.legalprocessagents.com)

### NATIONAL REGISTERED AGENTS, INC.

10 Wolf Pack Ct.  
Hamilton, NJ 08619  
(609) 586-7212 Fax:  
(609) 584-0518

### A-1 LEGAL PROCESS AGENTS

P.O. BOX 347  
Madison, SD  
57042  
(877) 275-4287 Fax: (605) 256-6898  
Website: [www.legalprocessagents.com](http://www.legalprocessagents.com)

### AGENTS OF PROCESS SERVICES

P.O. Box 6452  
Moore, OK  
73153

(405) 573-7775 Fax: (405) 321-9779 E-Mail address: [otppa@sbcglobal.net](mailto:otppa@sbcglobal.net)

### PERMITS AND PROCESS AGENTS, LLC

5216 Evanbrook Terrance  
Oklahoma City, OK 73135  
(800) 347-5506 Fax: (405) 602-5919 E-Mail address: [vfulson@yahoo.com](mailto:vfulson@yahoo.com)

### MULTI-STATES AGENT FOR PROCESS, INC.

P.O. Box 10546  
Jackson, TN 38308  
(800) 238-8814 Fax:  
(901) 668-9346

## Surety Bonds -BMC-85 Broker's Trust Fund

### What is a Surety Bond?

- **Security** -A property broker must have a surety bond or trust fund in effect for \$75,000. The FMCA will not issue a property broker license until a surety bond or trust fund for the full limits of liability prescribed herein is in effect. The broker license shall remain in effect only as long as a surety bond or trust fund remains in effect and shall ensure the financial responsibility of the broker.

- **Evidence of Security** -Evidence of a surety bond must be filed using the FMCSA's prescribed Form BMC-84. Evidence of a trust fund with a financial institution must be filed using the FMCSA's prescribed Form BMC 85. The surety bond or the trust fund shall ensure the financial responsibility of the broker by providing for payments to shippers or motor carriers if the broker fails to carry out its contracts, agreements, or arrangements for the supplying of transportation by authorized motor carriers.

- **Financial Institution** -when used in this section and in forms prescribed under this section, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof, shall mean; each agent, agency, branch, or office within the United States of any person, as defined by the ICC Termination Act.

- **Forms for broker surety bonds and trust agreements** -Form BMC-84 broker surety bond will be filed with the FMCSA for the full security limits under subsection (a); or Form BMC-85 broker trust fund agreement will be filed with the FMCSA for the full security limits under paragraph (a) of this section.

- **Cancellation Notice** -The surety bond and the trust fund agreement may be cancelled only upon 30 days written notice to the FMCSA. This must be completed on prescribed Form BMC 36, by the principal or surety for the surety bond, and on prescribed Form BMC 85, by the trustor /broker or trustee for the trust fund agreement. The notice period commences upon the actual receipt of the notice at the FMCSA's, Washington, DC office.

- **Termination by Replacement** - Broker surety bonds or trust fund agreements which have been accepted by the FMCSA under these rules may be replaced by other surety bonds or trust fund agreements. The liability of the retiring surety or trustee under such surety bond or trust fund agreements shall be considered as having terminated as of the effective date of the replacement surety bond or trust fund agreement. However, such termination shall not affect the liability of the surety or the trustee hereunder for the payment of any damages arising as the result of contracts, agreements, or arrangements made by the broker for the supplying of transportation prior to the date such termination becomes effective.

## Surety Bonds – Providers

<http://www.pac-fin.com> <http://www.jwsuretybonds.com>

12707 High Bluff #200 6023A Kellers Church Rd. San Diego, CA 92130 Pipersville, PA 18947 **Phone:** (800) 595-2615 **Phone:** (888) 592-6631 **Fax:** (623) 209-2610 **Fax:** (215) 766-1225

<http://www.bryantsuretybonds.com> <http://www.integritybonds.com>

73 Old Dublin Pike, Suite 10 #306 PO Box 54338 Doylestown, PA 18901 Phoenix AZ 85078 **Phone:** (866) 450-3412 **Phone:** (480) 626-8916 **Fax:** (866) 450-3414 **Fax:** (480)452-1730

### Contact a Freight Broker's Bonding Agent

When using a freight broker to arrange a load, verification of the broker's surety bond is essential. You can get bond information online, but the FMCSA can't tell you if the bond has pending claimants. The best way to determine satisfactory bond coverage is to contact the freight broker's bonding agent directly.

### Step by Step Instructions

- 1 This information should be in the information packet provided by the broker. If you did not receive a legible copy of the freight broker's bond in the set-up packet, consider it a red flag and get a copy as quickly as possible.
- 2 Visit the Federal Motor Carrier Safety Administration (FMCSA) website to get the information if necessary. (<http://www.safersys.org>), choose “**Carrier Search**” from the drop down menu. Input the freight broker's **MC Number / FF Number** for a freight forwarder.
- 3 Input as much information as you have on the freight broker. Hit 'Search.' Choose the correct broker from the list and select “**Report.**”
- 4 Scroll down to “**Active / Pending Insurance**” for bonding insurance contacts. For quickest information on a pending load, use the telephone to contact the insurance company.
- 5 Explain that you're a freight broker/motor carrier who requires verification on a broker's bond. Be prepared for numerous transfers. When you get the right department on the phone, ask for verification of current bond, bond amount and whether there are any claims against it.



## **Records, Rules, & Accounting**

A broker shall keep a record of each transaction. For purposes of this section, brokers may keep master lists of consignors and the address and registration number of the carrier, rather than repeating this information for each transaction. The record shall show:

- The name and address of the consignor;
- The name, address, and registration number of the originating motor carrier;
- The bill of lading or freight bill number;
- The amount of compensation received by the broker for the brokerage service performed and the name of the payor
- A description of any non-brokerage service performed in connection with each shipment or other activity, the amount of compensation received for the service, and the name of the payer; and
- The amount of any freight charges collected by the broker and the date of payment to the carrier.

Brokers shall keep the records required by this section for a period of three years. Each party to a brokered transaction has the right to review the record of the transaction required to be kept by these rules.

## **Misrepresentation**

- A broker shall not perform or offer to perform any brokerage service in any name other than that in which its registration is issued.
- A broker shall not, directly or indirectly, represent its operations to be that of a carrier. Any advertising shall show the broker status of the operation.

## **Rebating & Compensation**

A broker shall not charge or receive compensation from a motor carrier for brokerage service where:

- The broker owns or has a material beneficial interest in the shipment.
- The broker is able to exercise control over the shipment because the broker owns the shipper, the shipper owns the broker, or there is common ownership of the two.
- A broker shall not give or offer to give anything of value to any shipper, consignor or consignee except inexpensive advertising items given for promotional purposes.

## The Essentials

### What Office Tools Will I Need?

#### The Basic Office tools required for either a Freight Broker or Agent startup;

- High speed internet access • State of the art computer
- Fax/Copy machine -Dedicated Fax Line • Dedicated Telephone Lines • Microsoft Office software or similar. •

### Suggested Internet Subscriptions

Internet Truckstop – <http://www.internettruckstop.com> Carrier Depot – <http://www.carrierdepot.com> Post Everywhere – <http://www.posteverywhere.com> DAT 360 -<http://www.transportationsoftware.com>

### Dispatch Software + Tools

Dr. Dispatch – <http://www.drdispatch.com>

Dr. Dispatch transportation software offers the most affordable and easy to use Windows based trucking and dispatch operations software for your trucking, brokerage or freight forwarding company. **Load Pilot** – <http://www.loadpilot.com>

LoadPilot is freight broker management software that is powerful enough for seasoned freight broker

professionals but still simple enough for beginning freight brokers. **ITS-Dispatch** – <http://www.its-dispatch.com> Web based

Trucking Software Freight Broker Software with no servers required. A very cost effective

alternative! Unlimited FREE support and training.

**ISS Infinity** – <http://e-infinitysoftware.com>

Freight Broker and Dispatch Software for Transportation Intermediaries.



## **Module 1 - Module Ending Assignment**

As previously discussed, this training program is designed to prepare you to become a "real world" Freight Agent - ready to start generating income for yourself upon completion of the program (if not before). As such, you will begin from this very first module to set yourself up to be successful and get off to a quick start in your new business. The following items should be completed prior to moving on to Module #2. Upon completion, contact your assigned Personal Trainer to complete your Module Review and receive your password for Module #2.

- 1) Set up a dedicated phone line in your home office that will be used ONLY for your freight brokerage business.
  
- 2) Once your dedicated phone line is active, record a professional voice mail message for when you are unavailable to answer incoming phone calls by the 3rd ring. The message should sound something like "Hello, this is (your name) with BBB Transport & Logistics, your #1 source for all your company's shipping needs. Sorry I'm not available to take your call at the moment. I'm either on the phone with a client or away from my desk but your call is important to me. So if you'd please leave me your name, phone number and a brief message, I'll get back to you as soon as possible. Thank you."
  
- 3) If you haven't done so already, set up a spot in your home (if you don't have a separate office to use) that will be exclusively used for your freight brokerage business.
  
- 4) Contact your Personal Trainer for a module ending review and discussion. Make sure to provide them with your dedicated business phone number.