

# How to Start a Freight Brokerage

**Follow these eight steps to start your freight brokerage off on the right foot**



# Introduction

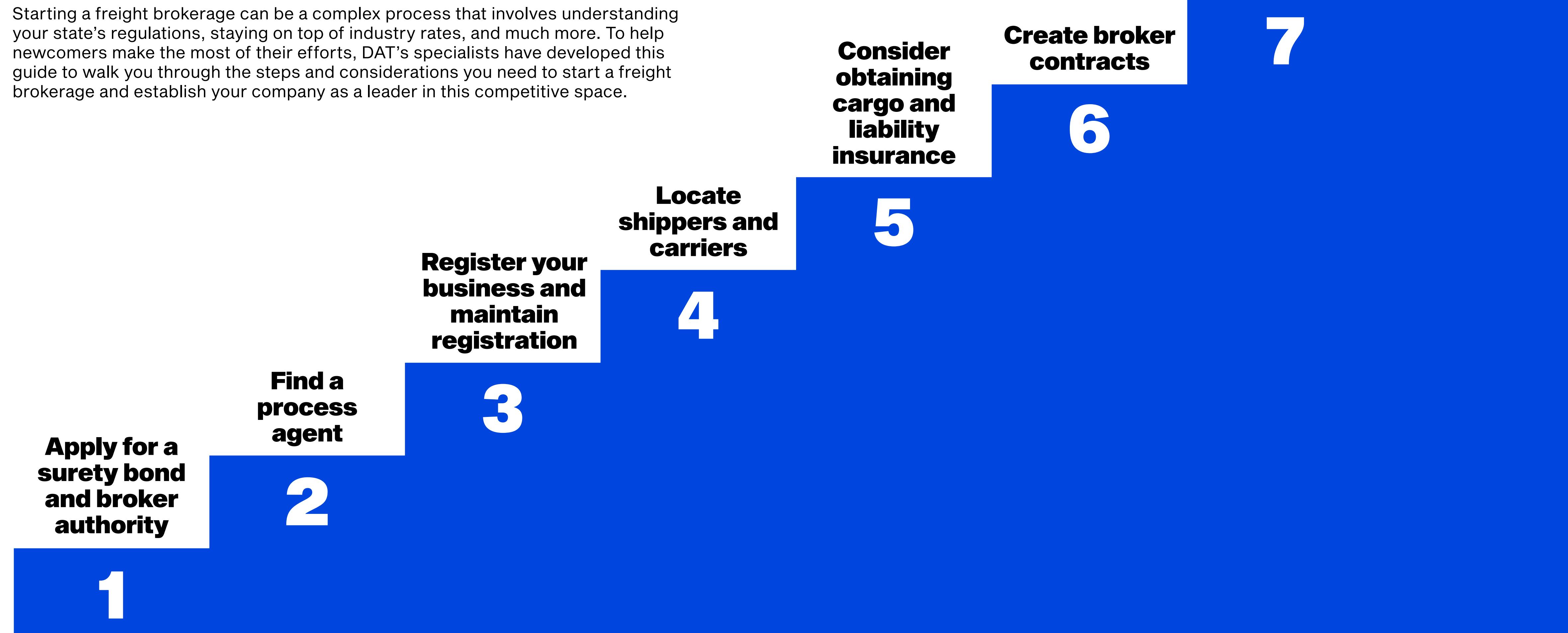
The shipping industry is booming, and for those who dream of running their own business, opening a freight brokerage can be a profitable way to stake your claim in this growing field. Freight brokers play an essential role in the transportation industry, connecting shippers and carriers in order to transport millions of loads a year. There's no doubt that being a broker and starting your own freight brokerage can be a fruitful career — if you know where to start.



# The Steps for Starting a Freight Brokerage

Starting a freight brokerage can be a complex process that involves understanding your state's regulations, staying on top of industry rates, and much more. To help newcomers make the most of their efforts, DAT's specialists have developed this guide to walk you through the steps and considerations you need to start a freight brokerage and establish your company as a leader in this competitive space.

Manage your brokerage



# Getting started

*Let's break down the steps you need to take to begin your journey toward opening your own freight brokerage:*

## 1 Apply for a surety bond and broker authority

Begin the process of obtaining your operating authority by applying for both your MC & DOT number with the Federal Motor Carrier Safety Administration (FMCSA). If you don't have a USDOT number, you must first register through the [Unified Registration System \(URS\)](#) before you can get authority.

After applying for your MC & DOT numbers, the FMCSA will assign you your numbers in a "pending" status until you provide proof of a surety bond. Once the bond is provided, the FMCSA will review and approve the numbers, making them active. It's important to note that an MC can be in pending status for up to three months while the broker secures a bond, and if the bond is not secured by that time, the MC status will move to inactive.

A freight broker surety bond protects the carrier and shipper. If something happens during shipment and you can't pay the carrier for whatever reason, the surety bond has you covered. Before obtaining your broker authority, you must hold a bond worth at least \$75,000, which can cost anywhere from \$750 to \$10,000 annually, depending on your credit score and history. The FMCSA accepts Surety Bonds (Form BMC-84) and Trust Fund Agreements (Form BMC-85).

Keep in mind that it can take up to 4–6 weeks to process your application and receive your motor carrier (MC) number from the FMCSA. From there, you can submit your application to get your broker authority.

There are two types of freight broker authority:

- Broker of Property
- Broker of Household Goods

You may apply for both licenses, just keep in mind there is an application fee of \$300 per authority type.

To streamline this process and take the hassle out of securing paperwork, consider partnering with [DAT Authority](#).



## 2 Find a process agent

A process agent is responsible for receiving legal documents and notices on behalf of your company, such as summons or complaints from courts and agencies. Finding a reliable, professional, and competent process agent who can ensure all processes are taken care of quickly is crucial.

Freight brokerages must have a process agent for each state where they do business. The cost for a process agent fluctuates based on factors such as the company and location, but it typically ranges between \$25 to \$150 or more annually. Since many companies offer services for all 50 states from a single office, working with them means you'll only need to pay one fee.

## 3 Register your business and maintain registration

Every broker must complete their [Unified Carrier Registration \(UCR\)](#) annually by December 31st. The UCR is a federally-mandated program that registers both brokers and vehicle operators participating in interstate travel. Their annual fee varies yearly but will typically cost around \$60–\$80. Motor carriers are charged for the number of vehicles they operate. However, since brokers, freight forwarders, and leasing companies don't drive vehicles, they only have to pay the lowest available fee.

***“Freight brokerages must have a process agent for each state where they do business.”***

# Maintaining Business

Once you've done the initial legwork, building a book of contacts and maintaining healthy business relationships with your customers is a key part of being a successful freight broker.

## 4 Locate shippers and carriers

Freight brokers can find shippers and carriers to work with by networking with other freight brokers, building relationships with local businesses, attending industry-specific events and trade shows, and leveraging online resources such as load boards. Many brokers just starting often begin by turning to their friends and family for support, building up their business through existing connections.

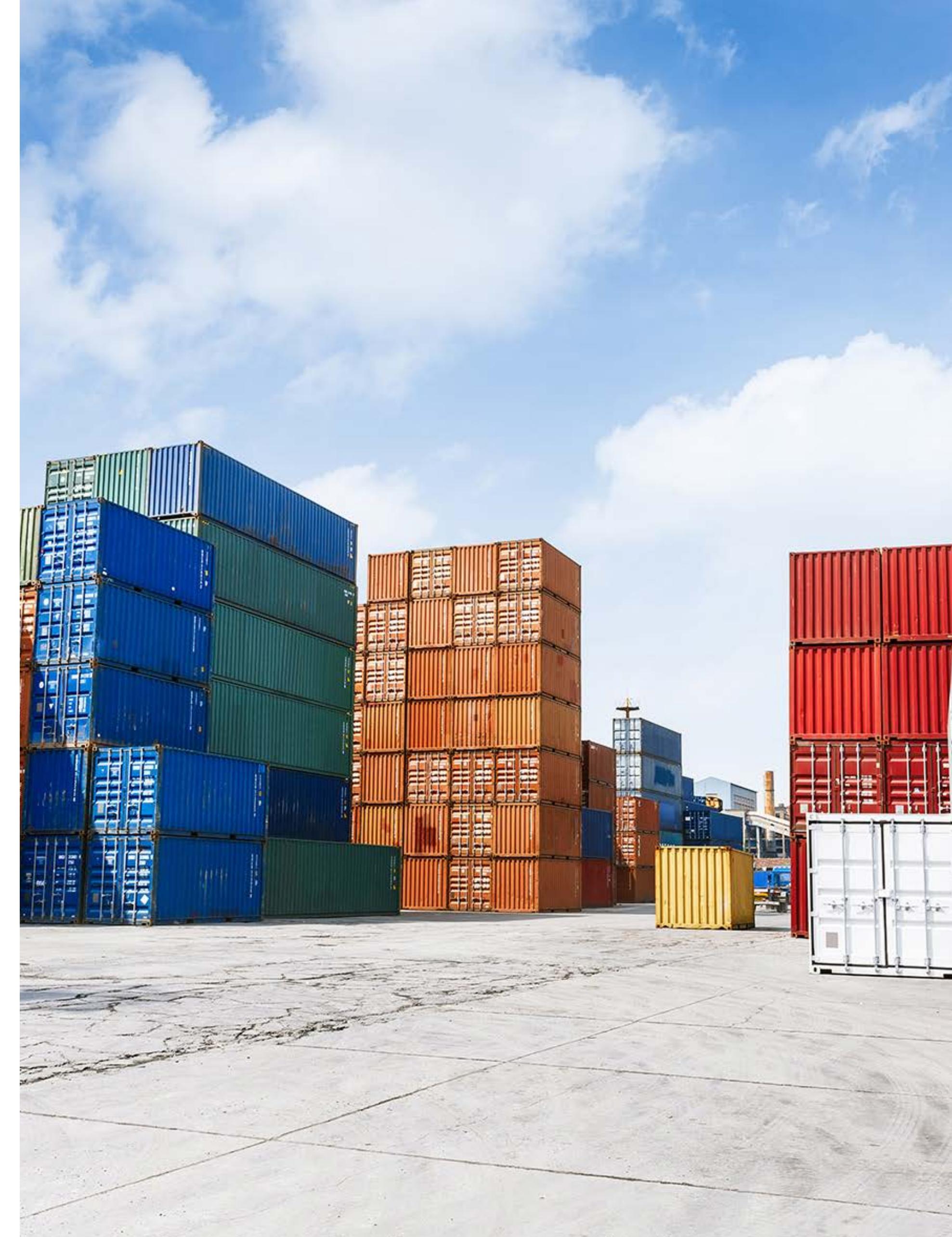
Understanding your target market to identify potential customers can give you a major advantage. Tools such as the [DAT load board](#) can help you quickly and easily locate shippers and carriers using various filters to narrow your search. DAT's load board also gives you access to the [DAT Directory](#), a comprehensive list of professionals just like you that is a great resource for finding contacts.

Once you've established a good rapport with your contacts, it's important that you maintain an ongoing relationship through consistent communication and follow-up. Friendly, reliable business is good business.

## 5 Consider obtaining cargo and liability insurance

While the FMCSA doesn't require brokers to carry cargo or liability insurance, having these policies can give you peace of mind and show shippers that you're running a professional operation. Cargo and general liability insurance each protect your business from financial losses if freight gets damaged or lost during transit and the carrier then fails to take responsibility for the incident.

Prices for these insurance policies will vary depending on several factors, such as how much coverage you need or the shipment value. Additionally, opting for [per-load insurance](#) allows brokers to purchase additional coverage for specific shipments instead of more expensive blanket policies that cover all shipments at once. This type of coverage helps keep costs down while providing adequate protection for both you and your customers.



## 6 Create broker contracts

Freight brokers must maintain a record of every transaction, including contracts and carrier qualifications as well as payables and receivables. If you're not sure where to start when it comes to creating broker contracts, the Transportation Intermediaries Association's [New Broker Course](#) offers a thorough introduction to the freight brokerage industry and has sample contracts you can reference.

## 7 Establish your pricing

Establishing pricing for a freight brokerage can be a tricky task. [Rate benchmarking software](#) can be an invaluable tool, providing real-time insights into industry changes as well as current rates for both spot freight and contracts. By having a comprehensive understanding and overview of the market, you can make more informed decisions that help you set competitive, yet profitable, prices.



## 8

## Manage your brokerage

When starting a new brokerage, it's common for many brokers to manage their first few transactions manually or on spreadsheets. However, as the business grows and more carriers and shippers become involved, managing everything manually can become difficult and time-consuming. This is where a platform like [DAT's Broker TMS](#) can be a game-changer. The platform streamlines many aspects of brokerage management, such as accounting, billing, receivables, and carrier management. With Broker TMS, brokers can manage all aspects of their brokerage more efficiently, freeing up time to focus on growing the business and building relationships with carriers and shippers.



# The Importance of Research & Training

Starting a successful freight brokerage involves more than just following the steps we just outlined. Freight brokers must understand the industry's complexities and all aspects of shipping, from the requirements for different types of loads to how to book shipments properly. Training can help brokers learn about pricing strategies, improve their customer service skills, and even develop marketing tactics to help build relationships with shippers and carriers and eventually secure more business. DAT offers [freight broker training](#) through our partnership with Freight 360 at a discounted price. It's a perfect opportunity to learn from the pros!

## Understanding your costs

Starting any business can be costly, but with the right planning and budgeting, operating a freight brokerage has the potential to be quite profitable. Below is a breakdown of the costs of getting your business up and running. You can set yourself up for success by understanding these costs ahead of time and taking steps to make them as low as possible.

- **Training:** Fees can get as high as \$2,000. But thanks to an exclusive offer through DAT's partnership with Freight 360, comprehensive training is only \$599.

- **Surety Bond:** Ranges anywhere from \$750 to \$10,000 yearly.
- **Broker Authority through FMCSA:** \$300 application fee for every authority.
- **Process Agent:** Ranges from \$25 to \$150 or more annually, depending on which company and services you select.
- **Cargo & Liability Insurance:** Anywhere from \$1,500 to \$3,000 per year.

## Additional costs to consider:

- Office costs (if you don't plan to work from home), including rent, phone & internet, and utilities.
- Employee payroll and benefits if you hire additional help.
- Subscription fees for [transportation management software \(TMS\)](#) and other tools or equipment you may need.





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## The Last Step: Get ahead of the competition with DAT

Freight brokering is a competitive market – but with the right resources, guidance, and dedication, you can run a lucrative business known for its reputation and quality service.

Luckily, DAT has everything you need to set yourself up for success from the start. From helping you navigate paperwork, insurance, and applications through [DAT Authority](#), to helping you connect to shippers and carriers through the industry-leading [DAT load board](#), to delivering the tools you need to manage your business through [DAT Broker TMS](#), and much more, DAT has everything you need to start your freight brokerage off on the right foot.

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