

# Freight Broker Starter Kit

How To Start Your Own  
Freight Brokerage



JW SURETY BONDS  
STRENGTH. TRUST. STABILITY.

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# I. Introduction

The old carpenter's adage of "measure twice, cut once" applies to most things in life, but particularly to business. If you're considering starting your own freight brokerage, it's essential to start with a firm understanding of the industry, as well as the nitty gritty of registration, licensing, budgeting, etc. That's where this e-book comes in. It's designed to give you all the tools necessary to decide if brokering freight is the right business for you, plus a complete guide on how to succeed.

## What's Freight Brokering All About?

So let's start with an overview of the business: what is the freight brokering, sometimes called truck brokering, industry all about? A freight broker is an intermediary between those who have goods (shippers) and those who transport them (carriers). Brokers are a core link within one of the most vital industries in the US economy: shipping. Without freight brokers matching shipment to reliable carriers, and making sure carriers aren't transporting half-empty loads, the US economy loses billions in efficiency as food goes bad and deliveries aren't made.

That's precisely what makes freight brokering so exciting. You're setting up freight deliveries by the ton and you're constantly on the lookout for the best way to move it all. If you do your job well, everybody wins.

# How to Succeed as a Freight Broker

So, how can you know if you're cut out for the job? Being a skillful broker starts with having great people and great analytical skills. It's essential to develop trusting and productive relationships with all of your clients, as well as to have an eye for detail in finding the most efficient connections between shippers and carriers. It's this combination of skills that leads to successful freight brokering.

It's also common for motor carriers to become freight brokers as well. This allows them to broker their excess freight to other carriers as an additional source of revenue and added flexibility. They also have the advantage of already being in the industry and having contacts.

Therefore, whether you've been in the industry for years or are just looking at entering, becoming a freight broker could be your next right move. If you think you have what it takes to be a top-notch freight broker and you just need to find out how to get started, you've come to the right place.

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## II. Getting Started

# A. The Right Time to Start Your Business

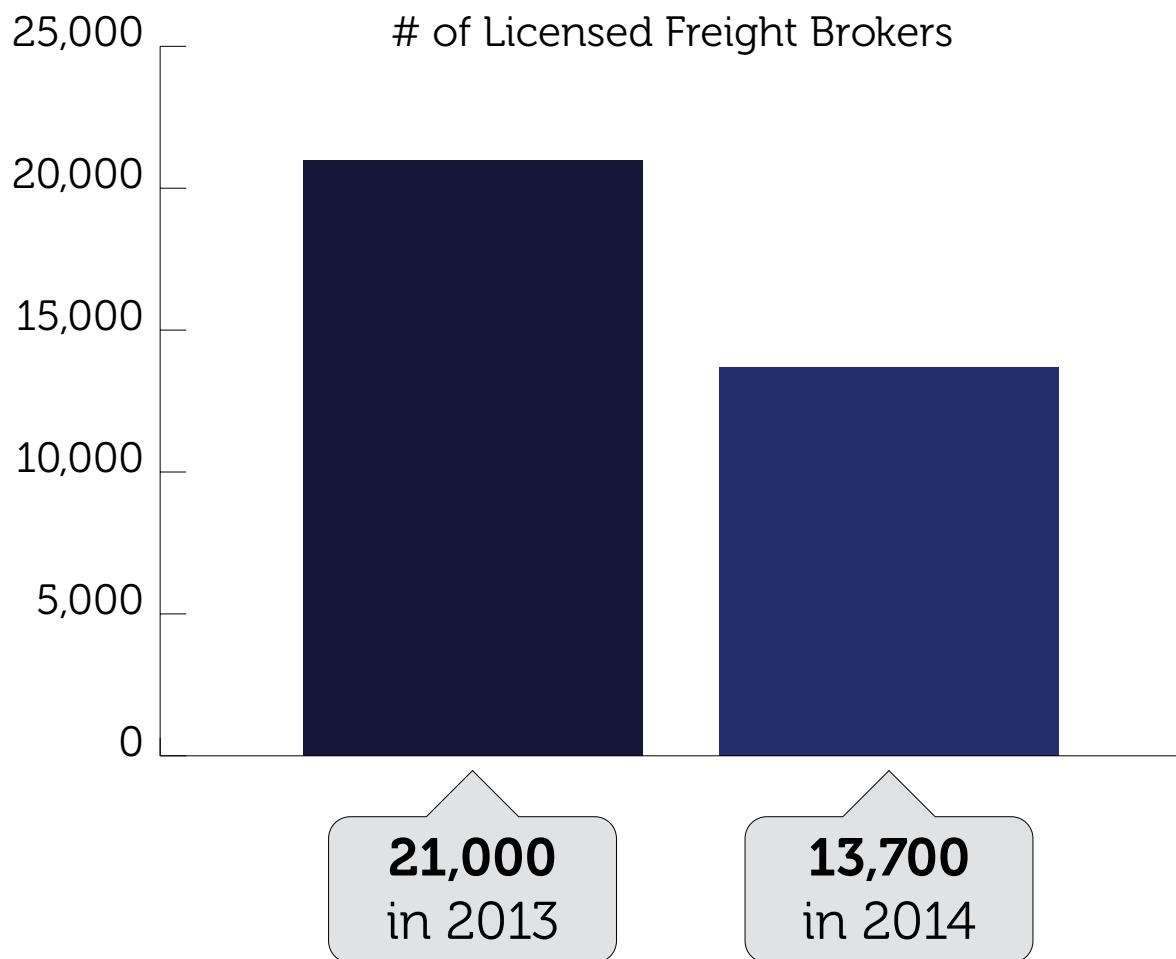
It's a fantastic time to get into the freight broker business, as several [industry trends from 2013-2014](#) are coming together to make 2015 look great for the industry. Here's why:

## Increasing Standards

The entire industry is still adjusting to the huge 750% increase in bond requirements instituted in October 2013 under the Moving Ahead for Progress in the 21st Century Act ([MAP-21](#)). This new law has had wide ranging effects, but on the most basic level, MAP-21 increased standards by ensuring that fly-by-night brokers are pushed out of the industry. It's also helped brokers understand their liabilities in case they fail to fulfill a contract. Of course, we'll go into more detail about this under the [Bonding Section](#), but what's important to understand is that new brokers won't have to deal with competitors who operate under lower standards.

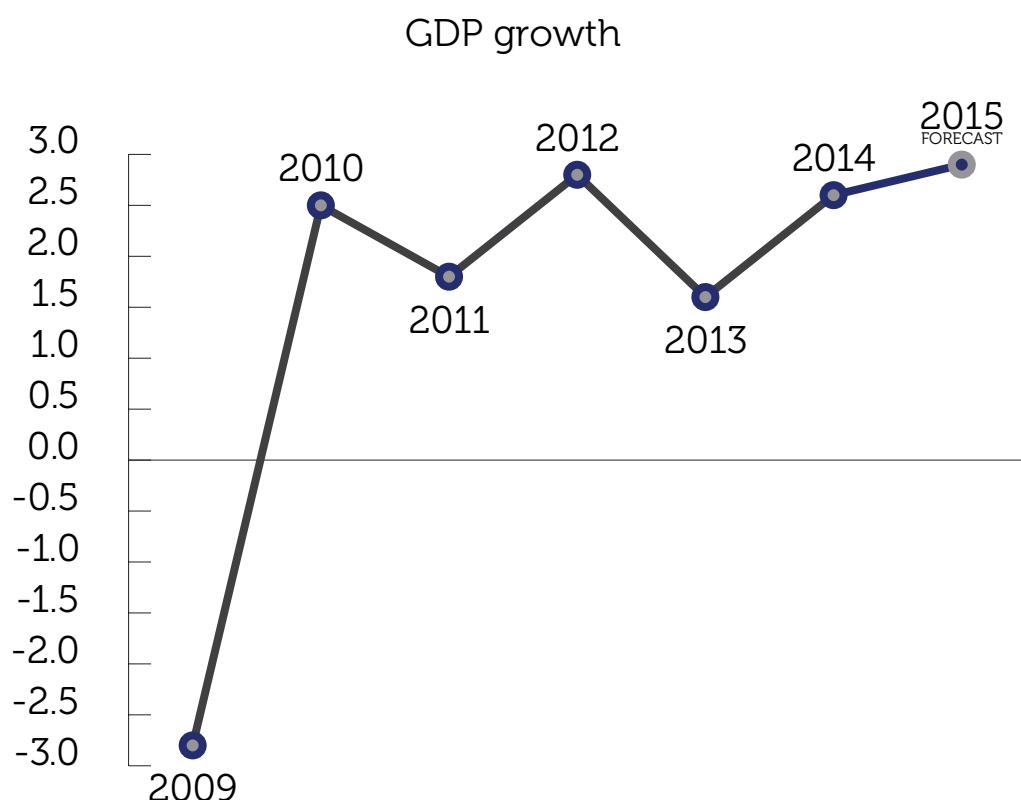
# Decreasing Competition

MAP-21 effectively pushed 35% of all US freight brokers out of the industry. These were largely brokers who were unable to comply with the greater bonding amounts, or the fly-by-nighters we just mentioned. So, alongside increasing industry standards, we're seeing decreased competition. But while this has been the trend for 2014, the advantage won't continue forever, as brokers adjust to the new industry reality. Thus, it's clearly better to enter the freight broker industry sooner rather than later.



# Improving Economic Conditions

Current forecasts predict [solid 3% GDP growth for 2015](#). The high level of integration which shipping enjoys within the larger US economy means that this trend is sure to benefit freight brokers as well. If you can couple this with starting your business in a high growth area of the country, then you'll be positioning yourself well!



# New Technology

New software promises to make the process of finding the right carrier for your client's freight easier and easier. With hundreds of options out there and new ones entering the market regularly, you're sure to have ample opportunities to keep your business running efficiently. Combine this with the declining costs of the most basic tools of the trade, like computers, and it's clear that technology is another reason to enter the freight brokerage industry. You'll find some great software examples in the next section.

# B. How Much Does It Cost to Become a Freight Broker?

If you're looking to start your own freight brokerage, it's important to have a clear understanding of all the costs ahead of time. There are two main categories of costs: startup costs and recurring. Here's a summary:

## One-Time Costs

1. Freight Broker License	\$300
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The details of this process will be [explained later](#), but this is essentially just a one time fee for obtaining a license from the FMCSA.

2. State Registration and Fees	Varies by State
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The process and cost of registering a business is different in each state. But fortunately the federal process is standard and described in the [Getting Your MC Authority & Other Legal Requirements section](#).

### **3. Equipment**

**Varies**

For a basic freight broker just getting started, a computer, phone, and an internet connection should suffice. As you expand, you can consider renting office space, but there's no need to factor that into your initial budget, as most freight brokers initially work from home.

## Annual Costs

### **4. Freight Broker Surety Bond**

**\$900–\$2000**

It's important to note here that this is going to vary depending on your credit score, business financials, and the agency with which you obtain your bond. With JW Surety Bonds, 90% of bonded freight brokers pay less than \$2000 a year.

**GET BONDED**

### **5. Software**

**\$600–\$1,200**

There's a [huge variety of software](#) available (100+ just in 2015) and new market products are constantly arriving. Some of the most popular options include:

- [Brokerware](#): This software from 3PL Systems includes all of the major features you would expect (customer and

sales portals, accounting integration, truckload management systems, etc.) in addition to innovational XML software, which streamlines the process of determining the least expensive and most reliable carrier for a particular piece of freight.

- Tailwind Express: Tailwind offers several software packages designed for freight brokerages of varying sizes. Their basic Express package is specifically created for brokers just getting started and combines affordability with a good set of basic features and solid functionality.
- Load Pilot: One of the most affordable and powerful options out there, Load Pilot has many high-end features like advanced encryption, universal access, international shipping functionality, and access to their database of shippers and carriers.

## 6. Insurance \$3,000+

Like any business, you need insurance to control legal liability. Freight brokers can be sued for fatalities or injuries from a third party carrier, for not following legal contracts or for employment disputes. For more details about getting your brokerage insured, check out the [Insurance section](#).

## 7. Marketing Varies

There are a lot of potential marketing strategies out there from simple cold calling to complex online content marketing campaigns. These have widely varying costs. If you're starting

off with personal contacts to get your business off on the right foot, you might save a bit of money here. But if you're really starting from scratch, it would be best to budget for some serious marketing. For more detail, check out [the Marketing section](#).

## 8. Extra for Unexpected Costs

Varies

This is really up to you. Ideally, you'll want to keep a reserve, so you'll be prepared for unexpected costs like having to replace equipment, which might suddenly break, or handling payment issues from a shipper. Keep in mind that early cash-flow problems are a classic small business killer.

# C. Making a Business Plan

This is an essential early step of any business and can't be neglected. There are many ways to get started. The Small Business Administration (SBA) has a useful [online business plan tool](#), which you can use. But there are some specifics to freight brokerages in particular that you should keep in mind.

## Step #1: Choosing the Right Legal Framework

The first step of a business plan is to decide what type of legal structure will work best for you. Then, you'll need to work through the legal process of founding your company. [Legalzoom](#) offers some excellent and inexpensive assistance in this process. As for the type of company, your main options are:

### Limited Liability Corporation

Limited liability is exactly what it sounds like — it has the advantage of avoiding personal liability on the part of the owners for any debts incurred by the company. It's also easy to raise funds by selling new membership interests with this type of structure. For the other advantages of an LLC, check out [Legalzoom's excellent summary](#).

## **Partnership**

When two people decide to form a company together, this is the simplest way to do it. A partnership can take many forms, but it always has certain [advantages and disadvantages](#) you should consider in terms of liability, flexibility, and longevity.

## **Sole Proprietorship**

This is essentially a company which consists of a single individual and would be a great option for someone looking to start a smaller freight brokerage on their own. However, a sole proprietorship does involve putting all of your eggs into one basket, so to speak. Thus, be sure to consider liability issues involved with this business structure.

## **Corporation (S or C)**

Corporations are more complex and difficult to set up, but they offer serious tax and legal advantages if you're looking to build a larger freight brokerage business. The biggest difference between S and C corporations is that C corporations pay taxes as a corporation and as individual shareholders, while with the S type taxes are only paid by the shareholders. But unless you're looking to sell shares and employ more than around 20 people, you can probably stick with a simpler business type.

## Step #2: Incorporating Technology

Technology is a critical part of any modern freight brokerage business. It's not only crucial to choose the best brokering software for your needs, but it's also important to take advantage of standard business tech to streamline your work. That includes having a smartphone, so you can keep up with developments on-the-go, and using accounts and billing software to simplify your life at tax time. Plus, by using [the latest applications](#) to more efficiently match freight with carriers, you'll be a step ahead from the start.

## Step #3: Choosing a Location

While brokering freight can be done remotely, face-to-face meetings and personal contacts can really make a big difference. It's important to think strategically about where economic growth is highest so you can position your business to benefit from the increased freight shipments which accompany your main location.

## Step #4: Finding a Niche

Beyond positioning yourself in a great location, finding a market niche can help boost your business's natural potential for growth and success. For example, by finding an area where a lot of commercial retail development is about to begin you can build contacts early and become the go-to broker for all new businesses as they open their doors and require regular product shipments.

# Step #5: Funding your Business

While starting a freight broker business is quite affordable, compared to many other types of companies, it's still important to understand the licensing fees, application fees, etc. Therefore, the question of funding needs to be incorporated into your business plan from the start. Fortunately, there are many new companies like [Lendio](#) dedicated solely to finding peer-to-peer lending options, so keep in mind you have options beyond a traditional bank loan.



### III. Training

While no training is legally required for freight brokers, many schools offer excellent programs to get you up to speed on the latest industry trends, technology, and best practices. Check out some of the best ones in the industry:

## The Transport Training International (TTI) School

This school has a great reputation and offers continuing assistance after you've finished classes. By providing you with referrals and software discounts, TTI is designed to both help you get started and help you along the way. Courses are available both in-person (in Atlanta and Dallas) and online, with prices ranging between \$1,000–\$2,250. They also offer a variety of special discounts on their courses.



## The Brooke Transportation Training Solutions (BTTS) School

Brooke offers 5 day training courses in a variety of locations: Ontario, California; Charlotte, NC; Dallas, TX; and Jacksonville, FL. Their courses are offered for a flat rate of \$2,495. The course is specially designed to match you with an existing company, so you can work



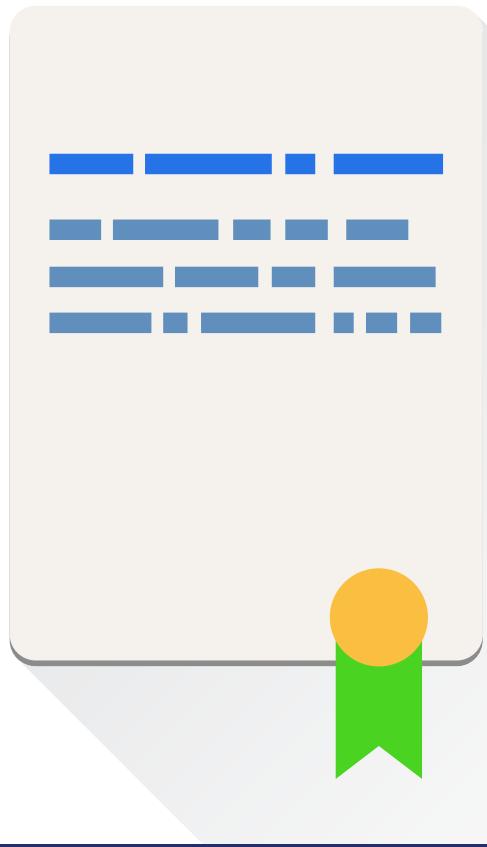
hourly or on commission, but you can also use your newly acquired skills to start your independent freight brokerage.

## Freightbrokerscourse (FBC)

FBC offers online packages ranging from the \$99 basic to the \$699 deluxe. On the high end they provide everything from online training to website templates, assistance in filing for licenses, and a 550,000+ transportation directory to help you find shippers and carriers to work with. This makes FBC a great value.



**FreightBrokersCourse**



## IV. Getting Your MC Authority & Other Legal Requirements

Once you've made a great business plan, created your company, and gotten any training you might need, you're ready to officially register your brokerage and get your Motor Carrier (MC) Operating Authority from the Federal Motor Carrier Safety Administration (FMCSA).

# Step #1: Obtaining Your MC Authority from the FMCSA

This whole process takes a few steps and will take several weeks from start to finish. So, make sure you get started as soon as you can.

## Obtain a PIN

To begin the process of obtaining your MC Authority online, you must first [obtain a PIN](#) from the FMCSA. This requires a valid credit card, though no charges will be made. The PIN will be securely shipped to your business's address in 4-7 business days.

## Submit Your MC Authority License Request

Once you have your PIN, you're finally ready to submit an online [OP-1 application](#) for your MC Authority. Begin by selecting the first option, "New or Additional Registration," and continue from there

filling out all the relevant information. The filing fee is \$300 and is not refunded if you've made a mistake and need to refile. Therefore, be sure all of the information is correct before submitting!

If you want multiple licenses (say, to be a broker and a carrier), then you'll have to file for them separately and pay \$300 for each one. The processing time is 4-6 weeks, but you can check your application's status online anytime. If you are a carrier and work in interstate commerce, you will need a DOT number to operate and need to apply for it separately with an MCS-150 form.

## Submit Biennial Updates

Bear in mind that once you've obtained your DOT registration, you must file a biennial update by submitting an MCS-150 form online. Fortunately, this process is free.

You're required to provide this update even if your company has not changed its information, has ceased interstate operations, or is no longer in business.

# Step #2: Obtaining Insurance

Having insurance is a must before you begin brokering. This can be a bit difficult at first as you're just getting started and may not have all of the specific information an insurer will want to know about your business. But that's only a small issue at the start. Once you get going, you shouldn't have any problems. Having obtained insurance, you'll have to submit proof to the FMCSA.

# Step #3: Obtaining Processing Agents

For each state in which your brokerage will be operating, you must obtain a processing agent. If you're only a broker, "operating" refers to having an office or making contracts. If you're also a motor carrier, then "operating" means your freight passes through that state.

The role of the processing agent is to be the person who can be served papers if a claim is filed against your brokerage in that state. There are many commercial firms who will provide processing agents for a fee. The FMCSA has a [useful list of such firms](#).

Once you've obtained the necessary processing agents, either you or the firm you may be working with need to submit a [BOC-3 \(Designation of Processing Agents\)](#) form both to the FMCSA and to each state in which you'll be operating. Having submitted this form, the FMCSA recommends you keep a copy in your own files.

# Step #4: Getting Your Surety Bond or Trust Fund

There's a federal legal requirement for all freight brokers to have \$75,000 available to cover possible claims. You have two options to do this: you can either obtain a BMC-84 surety bond, or get a BMC-85 trust fund. Then, the trust or bond agency will file it electronically with the FMCSA to prove you've fulfilled the requirement.

## Option One: BMC-84 Surety Bonds

A BMC-84 surety bond is a type of insurance for your customers that protects them in the event you fail to fulfill your obligations as a freight broker. It is not designed to protect you from liability; this is provided by your liability insurance coverage. The surety bond is in place to assure federal regulations will be followed and that carriers will be paid in a timely manner. If this is not the case, the bond company will step in to ensure the customer suffers no losses. This guarantee on your behalf is considered a form of credit to you, for which you pay a percentage of the bond amount.

It's important to understand that when you purchase a surety bond, you will sign a legal agreement indemnifying the bond company and will be required to repay the full amount of all valid claims.

Surety bonds are useful when claims against you are filed, but of course, the best thing to do is avoid those claims in the first place. Even having a claim filed can make it much more difficult to obtain a surety bond in the future, possibly putting you out of business. So it's essential to closely follow FMCSA regulations, make your payments on time, and resolve conflicts before they reach the claims stage.

To make sure you do everything correctly, it's best to have a bonding agency which is also an MGU (Managing General Underwriter), meaning they make the underwriting decision and act as your advocate in the claims process. An MGU can also help educate you in how to avoid claims in the first place.

A bonding provider will evaluate your company based on your credit and charge you an annual premium, which is a percentage of the \$75,000 bond amount required by the MAP-21 law. With JW Surety, the largest provider of surety bonds in the country, this percentage usually amounts to between \$900-\$2000 a year. This type of bond is often referred to as a BMC-84 after the name of the document you file with the FMCSA.

**EXPLORE BOND OPTIONS**

# Option Two: BMC-85 Trust Funds

With a trust fund, you place the full amount of \$75,000 into a trust, which you will be unable to touch. You'll also have to pay a bank fee for this service. This choice is more common amongst larger brokers and carriers, but for anyone getting started isn't a very good option because of the large upfront cost. For a more full comparison between these two options, check out [JW Surety's article](#).

Also, many trust companies advertise that freight brokers can fund their trust with cash, an [Irrevocable Letter Of Credit](#) (ILOC), or pay the trust company to obtain an ILOC on their behalf. But it's important to note that anyone considering purchasing a trust fund needs to verify that the trust fund company is not [under-funded](#).

[GET A QUOTE](#)

## Getting Bonded with Bad Credit

Bad credit is one of the most common worries for people who need to get bonded. In such cases a surety bond is the better option because getting a loan for the full \$75,000 is going to be difficult with credit problems. But even if you choose to go the BMC-84 route, keep in mind that not all agencies are able to provide bonds to applicants with bad credit.

It's important to choose a big bonding agency which works with a large number of bond providers. By communicating with many different sureties, the agency will be more likely to find a reasonable rate for your freight broker bond in spite of your low credit score. Of course, bad credit will increase the cost of your bond, but the most vital thing is that you'll still be able to get bonded and open your business.

In the meantime, there's a lot you can also do to improve your credit. Paying your bills on time, avoiding reaching limits on your lines of credit, only applying for new lines of credit when you need them, and paying debt instead of moving it can all make a big difference over time. Once you apply to renew your bond, your improved credit score will be taken into account and your bond cost will decrease accordingly.

You can also feel good knowing that a surety bond doesn't affect your credit standing.

## Avoiding Group Trusts or Bonds

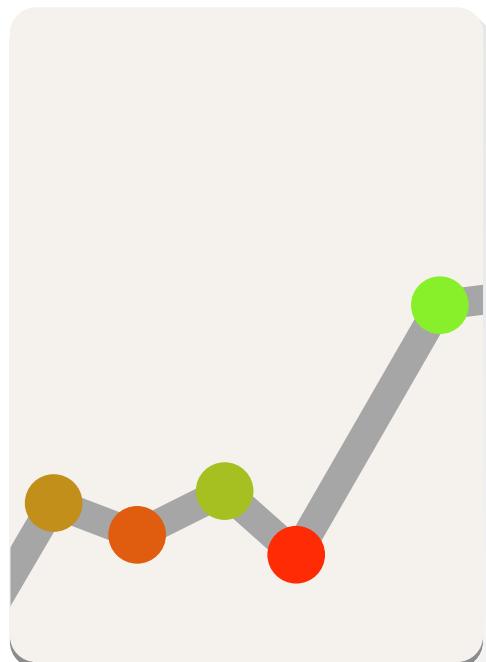
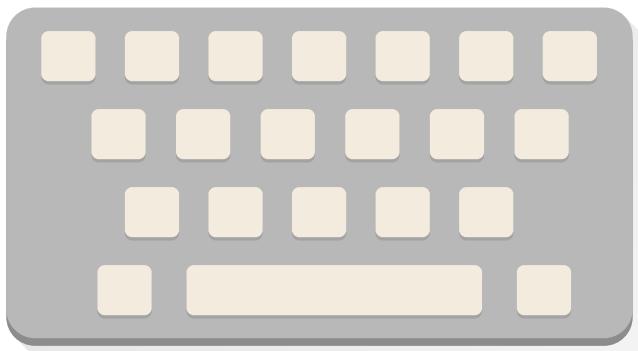
Many still incorrectly believe that group trusts or group bonds are valid ways to fulfill the FMCSA's bonding requirements. However, these options were removed by the MAP-21 law and no longer fulfill the requirement. Unfortunately, some agencies are still attempting to sell these trusts or bonds in spite of this. These illegal tactics often go under the radar until caught by an FMCSA audit. When this has happened it has put brokers out of business.

# Step #5: Getting Your Unified Carrier Registration

The final step in the legal process is obtaining your Unified Carrier Registration (UCR). For freight brokers, it's relatively simple and inexpensive at only \$76. If you're also a motor carrier, then your registration cost will vary depending on the size of your fleet. In either case you'll need to re-register and pay the fee annually.

Fortunately, the system for registering has been updated relatively recently. The UCR system registers and collects fees from the operators of vehicles engaged in interstate travel. Registering through this system can be done online at the [UCR application website](#). They even have a mobile application.

However, it's important to note that this system currently operates in most states except the following: Oregon, Wyoming, Nevada, Arizona, Florida, Maryland, New Jersey, and Vermont. If you operate in one of the latter, you'll have to complete a separate process to register there.



## V. Marketing & Lead Generation

Good marketing is critical for freight brokers, particularly when they're just getting started. You're going to need a solid base of contacts to begin brokering freight and marketing is a great way of finding that base. Once you create a pool of leads, marketing continues to work for you by helping you turn these leads into actual clients.

## A. Marketing Basics

These are the steps you're going to need to complete before you consider specific strategies.

### 1. Make a Great Website

All of your marketing efforts need to start with a well-designed website. Your website will usually be the first thing a potential client encounters and needs to make a good impression. Lucky for you, this is easier than ever with affordable hosting and website building tools like [squarespace](#). Providing information about your services and a place where potential clients can contact you is absolutely essential.

But beyond simply making a great website, you also need to take into account Search Engine Optimization (SEO). This means avoiding things which Google's algorithm punishes, like having duplicate content, lists of keywords (instead of keywords which are incorporated into content), purchased links (paying people to link to your site), or usability problems like slow load speeds.

## 2. Understand Your Clients

"Buyer persona" is a marketing industry term for a semi-fictional representation of your ideal customer. To create one, you need to think about your customer's demographics, behavior patterns, motivations, and goals. The most basic step towards providing a great service and having a successful marketing strategy is creating one or more detailed buyer personas. Once you know who your customers are, you can start to consider strategies to target them.

## 3. Find Your Niche with Keyword Research

This is a list of the main keywords that anyone looking for a freight broker would use to search. Companies like Hubspot provide great video tutorials on all aspects of online marketing, and their [article on keyword research](#) should provide some great tips for finding what you'll need for your business. In general, tools such as the Keyword Planner from [Google Adwords](#) are helpful in seeing what keywords have higher volume and lower competition. Those are the ones you want to target.

# 4. List Yourself in Business Directories

You need to make it as easy as possible for potential clients to find you. One essential step is making sure you're listed in business directories. The most common online directories you should place yourself in are:

- [Google My Business](#)
- [Bing Places for Business](#)
- [Yahoo! Local Listings](#)
- [Yelp for Business Owners](#)

Add to these any local online or offline directories which are popular in your area and you'll be set.

# B. Expert Strategies

There are a variety of ways to target your buyer personas. The two most basic strategies are those which allow you to reach out to potential customers, and those which bring those customers to you. You can choose to use one or both of these in your marketing campaign.

## Strategy #1: Going Local

Remember when, as a part of your business plan, you carefully chose the location of your brokerage? Well, now it's time to take advantage of that!

When somebody's searching for freight brokers in your particular area, you want to show up in Local Results, since that's the easiest way of making it to the top of the results page. To start, you should find some great local long-tail keywords that help people find your business in your specific area. You're probably not going to rank in Google for "freight broker," but you may very well be able to rank for "freight broker kansas city."

Once you've got a list of targetable keywords, it's time to get to work and help Google rank you higher for them. There are a few ways to do this:

- Incorporate these location-specific keywords into important site content, such as page titles and headings.
- Add your location to all of your local listings.
- Update existing Name, Address, and Phone (NAP) to be consistent across all directories, so they all point back to one and the same business.
- Encourage your satisfied clients to leave reviews in the directories.

## Strategy #2: Using Lead Lists

This is a solid strategy for any customer-driven business. It involves making a list of potential customers. In particular, one which allows you to clearly organize all the information you have about them. This will not only help you stay organized, but it will help enormously in targeting your customers individually. Top Ten Reviews has a [fantastic survey](#) with tons of information to help you choose the best lead finding and organizing software.

Besides software, you can make a lead list in several ways. The most basic is to use your own knowledge and personal contacts to draw one up. If you're not in a position to try that strategy, there are [companies specializing in finding sales leads](#). You should also be attending [industry events and conferences](#) when possible to continue building a solid network and to bring in new leads.

Once you have your list, you need to decide on the best method to target your leads. One way is by simply cold calling (a business term for calling a lead with whom you haven't interacted before). If you have a large list and feel you don't have the time to make the calls yourself, you can try outsourcing them to a call center. But most brokers can and prefer to reach out to potential customers on their own. You could also try sending personalized emails.

## Strategy #3: Targeted Ads

Another great way to target potential customers is through targeted ads. There's a huge variety of platforms for doing this. One of the most basic is Google Adwords. Here you can target people searching for very specific keywords on Google, as well as in particular geographic locations. This can be immensely useful for a freight broker, since you can target people searching for brokers in your specific region.

Beyond Adwords, social media sites like Facebook, LinkedIn, and Google+ also offer similarly targeted advertising opportunities. The kinds of users on the social media site and the cost per click of advertising vary between them and are worth considering. LinkedIn, for example, has excellent professional networks, but is much more expensive than Facebook. For more details, check out [Hubspot's guide to social media marketing](#).

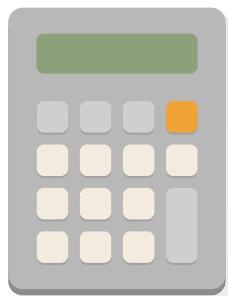
## Strategy #4: Content Marketing

The key to driving organic traffic to your site is content marketing.

Sure, you can spread your business' brand by word-of-mouth, cold-calling, and old-fashioned networking, but content marketing is how you make sure people who are looking for you online can actually find you. Great content marketing involves creating high quality content like blog posts, which incorporate those keywords you listed before. The key is to always think about your potential clients and readers; your content should always provide value to them. Give them something they want to read. Doing this can increase your ranking in Google and bring relevant traffic to your site. You can even develop a nice reputation in the industry on the way. All-in-all, it's one of the most consistent and effective forms of online marketing.

# C. Calculating Return on Investment (ROI)

One common mistake many companies make when they begin their first marketing campaign is ignoring the essential step of calculating ROI. So, once you've started a strategy you need to think about how you can quantify your results. This means using things like Google Webmaster Tools to look at your website's traffic and where it's coming from. Beyond that, every social media platform you may be advertising with will offer you plenty of data. So take a look at what works, what doesn't, and how much it all costs to determine the best marketing strategy for your brokerage. For a more detailed guide, check out this [article from Marketo](#).



## VI. Conclusion

The process of becoming a freight broker requires several steps. First, you have to make a solid business plan and register the right kind of company for that plan. Then, you have to follow our step-by-step instructions to obtain all of your registration and licenses from the FMCSA. Once you've gotten your UCR, you're ready to start marketing and brokering!

Fortunately, [the current median pay](#) for a freight broker is more than \$42,000 a year. Combine that with reported high job satisfaction and it's clear both why this industry is growing and why you should be a part of it!

With this guide you have all the tools necessary to get started in this exciting field. Once you're in business, you will enjoy the benefits, which drove you to become a freight broker in the first place: work flexibility and a great outlook for the future.

## About The Author



Eric Halsey is a historian by training and disposition who's been interested in US small businesses since working at the House Committee on Small Business in 2006. Coming from a family with a history of working on industry policy, he has a particular interest in the Surety Bonding, Freight Industries and Professional Certification; he loves sharing his knowledge of the industry for JW Surety Bonds.



JW SURETY BONDS

STRENGTH. TRUST. STABILITY.

JW Surety Bonds is the largest volume bond producer in the United States, with a focus on providing our clients low rates, an easy process, and the best in customer service. Working with JW Surety, you get the quality personalized service of a small company with the many advantages of working with the top writer of freight broker bonds in the country.

A part of our mission is to provide education on surety bonding, so JW Surety created this e-book to help potential customers enter the freight broker field. This detailed guide will help you navigate every aspect of starting your new freight broker business, from initial costs and licenses, through registrations, insurance, and business planning, to expert marketing strategies for freight brokers.





# Freight Broker Authority Checklist

This checklist includes all of the steps you must take to obtain your authority from the FMCSA. Please read through each step carefully.

## **#1: Obtain Your PIN:**

Obtain a [PIN from the FMCSA](#). Applying for a PIN requires a valid credit card, though no charges will be made. The PIN will be securely shipped to your business's address in 4-7 business days.

## **#2: Submit Your MC Authority License Application:**

Also known as an authority, your license is a key item you'll need in order to become registered as a freight broker with the FMCSA. Submit the [online OP-1 application](#). Begin by selecting the first option, "New or Additional Registration" and continue from there filling out all the relevant information.

## **#3: Submit Biennial Update:**

Once you've obtained your DOT registration, you must file a biennial update by submitting an [MCS-150 form online](#). You're required to provide this update even if your company has not changed its information, has ceased interstate operations, or no longer in business.

## **#4: Obtain Insurance:**

Liability insurance is [legally required by the FMCSA](#) for all freight forwarders and carriers, but not for anyone operating only as a freight broker. If you need insurance, you must obtain/submit proof to the FMCSA.

## **#5: Obtain Processing Agents:**

For each state in which your brokerage will be operating, you must obtain a processing agent. If you're only a broker, "operating" refers to having an office or making contracts. If you're also a motor carrier, then "operating" means your freight passes through that state. Once you've obtained the necessary processing agents, you need to [submit a BOC-3](#).

**#6: Obtain Your BMC-84 or BMC-85 (must complete option A or B below):**

As part of the MAP-21 law, all freight brokers are required to obtain a BMC-84 bond or BMC-85 trust in the amount of \$75,000 in order to obtain a license. This requirement is meant to guarantee that freight brokers have the ability to cover potential claims in the event carriers aren't paid.

**Option A: Obtain the BMC-84:**

Obtain a BMC-84 through a surety bond provider. Premiums can range from \$750 - \$9,000 per year (this will vary based on your financial strength, e.g. personal credit), and usually requires zero collateral.

**Option B: Obtain the BMC-85:**

Obtain a BMC-85 through a trust provider. The cost is around \$1,500 per year. In addition to the yearly premium, the BMC-85 trust will require you to post \$75,000 of collateral with a bank.

Check with all of your potential/current carriers to ensure they accept the BMC-85, as an increasing amount of carriers are refusing to work with freight brokers who have a BMC-85 due to lack of payment on claims, and the [FMCSA's financial responsibility review of the product.](#)

**#7: Obtain your Unified Carrier Registration**

Once you decide to get either the BMC-84 or BMC-85, the final step in the legal process is obtaining your Unified Carrier Registration (UCR). The UCR system registers and collects fees from the operators of vehicles engaged in interstate travel. Registering through this system can be done online at the [UCR website.](#)