

FOOD TRUCK & TRAILER FINANCING

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Prestige
FOOD TRUCKS
CUSTOM FOOD TRUCKS
AND TRAILERS

Frequently Asked Questions

Frequently Asked Questions

THE SERVICE?
HOW TO GET A TRUCK?

Introduction:

Food Truck & Trailer Financing F.A.Q.'s



If you're reading this guide, you are obviously considering financing your food truck or food trailer purchase.

After talking to literally hundreds of food truck and trailer buyers across the country, we've found that most buyers have the same 8 questions they need answered in order to understand the financing process.

The Most Common Questions are:

- 1. Who Qualifies to Finance a Food Truck or Trailer?**
- 2. How Much Will You Qualify For**
- 3. Is a Down Payment Needed?**
- 4. How Much Will Payments Be?**
- 5. Will You Get Better Rates From Your Bank?**
- 6. How Much Do These Products Cost?**
- 7. Food Truck Vs. Food Trailer?**
- 8. What is the Process?**

Note: The links in this guide directing you to prequalification take to the site of our funding partner, Smarter Finance USA. This guide was prepared by Smarter Finance USA, and we will direct you to them for financing questions, just as they will direct you to us for questions regarding your build out.

You may use any finance company you wish, but if you are planning on financing your purchase we strongly suggest getting prequalified prior to getting involved in planning so you will know what you will or won't qualify for.

Here are the steps in getting approved for financing.

- 1. Read This Guide (10 minutes)**
- 2. Click button below (or at the end of this guide) to download your preapproval checklist**
- 3. Complete checklist and schedule a 10 minute interview**



Ready?



**** Note**** - there are different criteria for startups than if you are an existing business. We'll go over what is needed for each.

Since most of our inquiries are for startup businesses, we'll go over those first.

Qualifying as a Startup

As a startup business, you should have **a credit score of at least 625.**

If you do not have a 625 credit score, there are **3 ways** in which an exception can be made.

A graphic with a black border. The left side has a purple background with white text: 'Credit Score Below 625?' followed by a dotted line, and '3 Ways A Startup Can Still Qualify'. The right side has a green background with white text listing three ways: '1. 50% Down Payment', '2. Collateral Worth as Much as you need to borrow', and '3. Add a cosigner with good credit & assets'.

If your credit score is below 625 and you do not have at least one of these 3 attributes, **you will not qualify for financing.**

Also, if you have any of the 3 "big no-no's" you will not be approved:

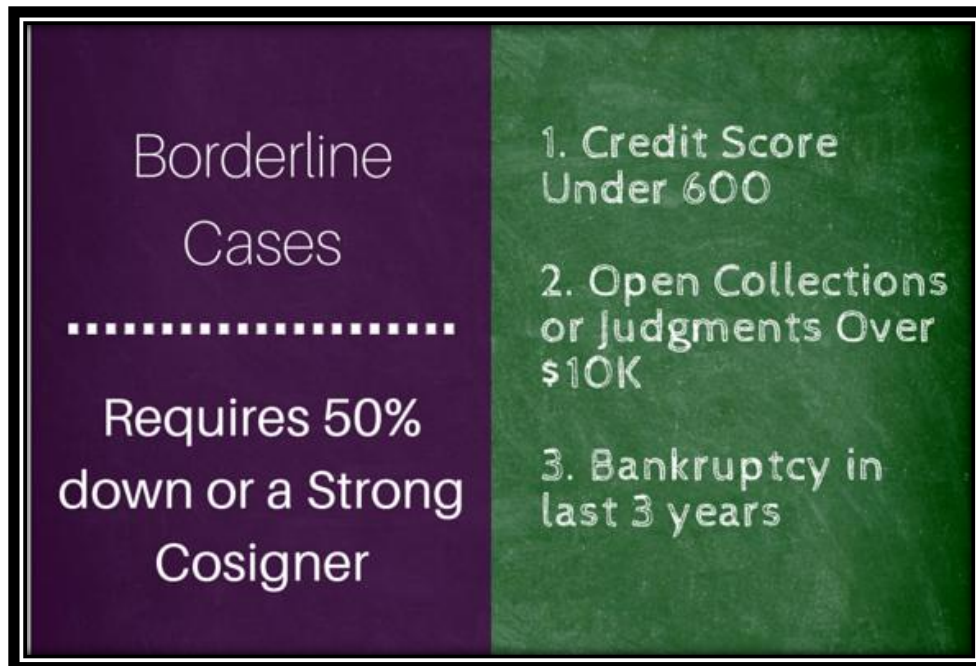
Automatic Declines

.....

Do Not Apply if You are:

1. Currently in Bankruptcy
2. Late on Child Support
3. Over \$10k open tax liens (unless you are in a payment plan)

There are also 3 situations in which you can only be approved with 50% down payment or a very strong cosigner:



Lastly, you will need to have enough funds available to cover the minimum down payment: 2 payments in advance plus your documentation fees - this typically amounts to 5-15% of the total cost of your purchase.

Qualifying as an Existing Business

If you are an existing business seeking financing an existing business, it is easier to qualify.

Here are the criteria:

- 2+ years in business with having at least one loan or lease under that business name (and with satisfactory pay history)
- 585+ personal credit score

For existing businesses, here are the situations in which you will be automatically declined:

<p>Automatic Declines</p> <p>.....</p> <p>Do Not Apply if You are:</p>	<ol style="list-style-type: none">1. Currently In Bankruptcy2. Tax liens Over \$50K (Unless in a Payment Plan)3. Late on Child Support
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Lastly the 3 following situations will require either a very strong cosigner or 50% down payment:

<p>Borderline Cases</p> <p>.....</p> <p>Requires 50% Down or a Strong Cosigner</p>	<ol style="list-style-type: none">1. Credit Score Under 5002. Open Collections or Judgments Over \$50K3. Bankruptcy in Last 2 Years
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Speaking of qualifying - how much in financing can you get approved for?



If you have been in business for 2 or more years running a food truck or trailer or own a restaurant, you can usually qualify for as much as you need if you have ok credit.

For Startups:

The rule of thumb is 60% comparable credit.

What this means is that if you want \$40,000 in financing, ideally you will have \$24,000 (\$40k X 60%) in credit lines with satisfactory pay history.

In a perfect world, you will have had recent auto or truck financing since that is the asset "most like" a food truck or trailer.

PS - Often times we run into startups wanting to buy a \$60,000+ food truck but find that they can only qualify for a lesser amount. There are 4 solutions:

A graphic with a red background on the left and a green chalkboard background on the right. The red background contains the text 'If You Can't Qualify for The Truck You Want...' in white. Below the text is a circular image of a blue and white food truck with a hot dog on top. The green background contains a numbered list of four solutions in white text: 1. Make a Larger Down Payment, 2. Find a Cheaper Truck, 3. Get a Cosigner, 4. Get a Food Trailer Instead.

Speaking of down payments, let's talk about what the minimum down payments are when you finance a food truck or trailer...



In most cases, the down payment needed will be 2 payments in advance, plus documentation fees.

Documentation fees range from \$395 to \$895 depending on the size of the transaction and the complexity.

Total upfront money needed (examples):

- **\$25,000 food trailer - \$2,000-4,000**
- **\$50,000 food truck - \$3,000 - 6,000**
- **\$100,000 food truck: \$5,000-10,000**

The reason for the range of different down payments:

- Since payments will be lower with good credit than with bad credit, the worse your credit, the higher the amount that 2 advance payments equals
- Longer financing = lower payments, so 5-year terms will equal lower upfront than 2-year terms.

PS- Total down payment usually ends up being 5-15% of the purchase price.

Note: You can always increase the down payment if you wish, but most business owners prefer to keep their hands on as much working capital as possible, especially in the beginning.

The biggest challenge many business owners face when financing is that once they actually ***need*** the money, nobody wants to give them a loan.



Payments depend on 2 factors:

- How much risk the lender is taking
- The number of years you are financing for

Like all other areas of business financing, payments will be higher for startups than for existing businesses.

Let's look at various terms for startups with payments, then we'll go over payments for an existing business.

Average Food Truck or Trailer Payments (For Startups)				
	24 months	36 months	48 months	60 months
Lowest Risk	\$1,305	\$935	\$760	\$655
Great Credit	\$1,425	\$1,050	\$850	\$725
Good Credit	\$1,500	\$1,100	\$925	\$800
OK Credit	\$1,600	\$1,225	\$1,025	\$925
Poor Credit	\$1,900	\$1,500	\$1,300	\$1,200

**** Per \$25k in Financing**

The lowest risk tier for startup businesses assumes:

- Good credit

- Ample cash on hand (\$10k+ in available working capital after making any required down payment)
- Outside income (\$150k+ per year)

The numbers provided above may vary - for example, if you are starting a business with ample cash and strong outside income (i.e. a working spouse) rates will often be lower.

What we often hear from startups:



"Aren't those payments a little high? I can finance a \$25k Honda for 5 years at \$500 a month..."

This is the biggest hurdle for many new food truck owners.

Here's the facts:

- About 1/3 of trucks and trailers financed for startups have to be repossessed.
- A company offering 5% a year financing (like Honda does) to startups is either going out of business or is really just going to **steal from you**

The only way for startup financing to exist is for companies to charge rates in line with the risks of not being paid.

Here's what we find with our customers:

Many successful food truck and trailer owners sell \$25,000+ per month worth of food per vehicle, and clear \$15,000 or more in monthly profits.

Based on those numbers, if you aren't profitable from your food truck, **it is not because the payments are a couple hundred more dollars a month than if you financed a car.**

PS - After 2+ years in business, it is a lot cheaper to finance a new or second vehicle.

Here are the rates for existing businesses:

Average Food Truck or Trailer Payments (For Existing Businesses)				
	24 months	36 months	48 months	60 months
Lowest Risk	\$1,210	\$820	\$645	\$530
Great Credit	\$1,275	\$900	\$700	\$600
Good Credit	\$1,325	\$950	\$750	\$640
OK Credit	\$1,420	\$1,025	\$850	\$735
Poor Credit	\$1,725	\$1,325	\$1,150	\$1,025

**** Per \$25k in Financing**

"Lowest risk" tiers assume both great credit and a profitable business with ample "cushion" and profits.

For example: if your business shows \$15k or more in monthly profit and you regularly have \$10k+ in bank balances, with great credit rates are very reasonable.

****Note**** An issue we often encounter is that many food trucks do about 2/3 of their business in cash and aren't really reporting all of their income.

There's not really a way to get around the "my income isn't on paper" issue - essentially the issue comes down to two choices:

1. Pay more in taxes -or-
2. Pay more for financing



STEP 5:
.....
Should You Apply at
Your Bank?

We do often have people call us who think they finance a startup business through their bank....

Here's our impression of that process...



If you can get approved for your bank, payments will be lower.

(You are extremely unlikely to be approved by a bank, particularly if you are a startup).

Here's the deal:

If you think your bank is going to approve you for financing, go try that.

(Seriously)

Let me reiterate, because **we are running a business just like you are.**

We want to give serious customers all the time they need to put the best packages in place for them. When you start working with us, **we don't want to short-shrift** you as unrealistic shoppers chew through our time.

If you think you will be approved to finance your new business with your bank, please **do not contact us** prior to completing that process.

We find that once all parties agree **that there is no Easter Bunny**, the process goes much more smoothly for everyone.



Food Trailer Costs:

Assuming you are buying quality equipment:

Food Trailers:

- Used trailers range from \$5,000 to \$20,000
- New trailers range from \$20,000 to \$50,000

Food Trucks:

- Used food trucks range from \$30,000 to \$75,000
- New food trucks range from \$70,000 to \$125,000

Customers often ask us whether new or used is the better option.

Here's the answer:

Generally, if you can qualify for the amount you need, new equipment is always the best foundation to build your business on.

(Especially because most new equipment comes with a warranty)

However, plenty of folks do just fine starting out with used equipment and upgrade later.

Whether you need new or used equipment, we work with many of the very best dealers in the country and can recommend a top quality dealer/ manufacturer in your area.



There is no one "right answer" to this question, it really comes down to the type of business you own or are starting and personal preference.

However, one thing we find a lot:

Many startups that want a food truck can't qualify for enough financing to buy quality equipment...

... but can definitely qualify for a quality food trailer.

(Because trailers cost less).

Many new business owners we work with ultimately start out with a trailer.

(If you don't own a truck to pull the trailer with, that's easy to qualify for at a dealership...)

note We can also finance the truck purchase too, but obviously terms will be much better with your local dealer getting a personal loan.



The entire process, from the day you apply to when a transaction is "funded" usually takes from 3-10 days.

(The easier the transaction, the faster it can get done....)

Here are the steps:

Step 1: Read This Book

Woohoo! You're almost done with the first step.

Step 2: Getting Preapproved:

At the end of this guide is a link to our preapproval page. You'll fill out a quick form (less than 1 minute) and then taken to a page where you may download a 1-page application.

An application will also be automatically emailed to you.

Preapproval is:

1. Fill out application
2. Email or fax in your application
3. We do a "soft credit pull" - which means **it will not affect your credit score or show up as an inquiry on your credit.**

Within 48 hours (usually less) you'll either:

1. Receive a call to review available terms and options
2. We may request additional information to help with the approval process (such as a bank statement or a cosigner)

3. Receive a decline notification

Step 3: "Express Agreement"

Once you receive preapproval, you'll be forwarded a proposal, called an "Express Agreement" going over payments and terms.

If you agree to the terms the next step is to get formal credit approval.

Here's what will be needed:

- Signed proposal
- Prepayment of document fees. (This can happen via a faxed/emailed check).
- Copy of your driver's license

****important note**** We have you prepay documentation fees before moving into underwriting to make sure **we only move serious customers into the underwriting phase.**

Many companies have a complex document that basically says, "we're going to keep your money no matter what."

We don't put up with that kind of crap, and neither should you.

Any document fees prepaid are fully refundable.

Instead of lame lawyer-speak, let's spell it out:

- If you are ultimately declined, your money will be refunded
- If you decide the food truck isn't for you, your money will be refunded
- If you determine you don't want to move forward for any reason under the sun, your money will be refunded

****important note #2**** Many of our vendor partners have had customers ripped off for hundreds and even thousands of dollars with scams.

You should be careful of sending a deposit to any company unless they are willing to use plain English like we just did and tell you when or how they will try to keep your deposit while doing nothing for you.

Step 4: Documents

You will need an invoice from the seller so that exact dollar amounts can be put into the documents and payment terms can be coordinated with the seller.

Documents will then be prepared and sent to you.

You will sign and return the documents along with any required down payment.

Step 5: Funding

Once documents are in, a final review is done, and then money will be wired to your seller.

If money is for a truck or trailer that is in the process of being built, the portion of upfront your builder needs to start the work will be wired immediately.

Other Important F.A.Q.'s

Q: Is this a loan or a lease? Which is better?

A: While we do both loans and leases, most customers go with a lease for the lower upfront cost (2 payments in advance vs. 20-30% down payment). Most of our leases are lease-to-own (no balloon payment) although they can sometimes be structured with a balloon to make payments lower.

Depending on the structure, leasing also has some very strong tax advantages.

Q: Is This a Business or Personal Loan/Lease?

A: Business. All of our transactions report 100% on business credit only.

Q: Should I pick out a truck/trailer first or get preapproved first?

A: Most of the manufacturers we work with make customers get preapproved with us before they will even talk to a prospective buyer.

If you are not paying cash for your truck or trailer, preapproval is an important first step. Without it, no seller will take you seriously.

Q: I need a cosigner. How will this affect their credit?

A: We do a soft credit pull on the cosigner, which will not affect their credit. The lease or loan will not be reflected on their personal credit report unless the equipment needs to be repossessed.

The cosigner does not have to be a business owner, but should have strong personal credit.

Q: If I have industry experience, does that mean I am not a startup?

A: No. To be considered an existing business, you must be leasing under the name of a business with same or similar ownership that has been operating for at least 2 years. Having industry experience will help with the approval process and rates, however.

Q: What if I am just getting started and have yet to get a business name/ license/ tax id, etc.?

A: This is very common and not a problem. You can still get preapproved and learn your funding options and whether it makes sense to open your business and file for registration.

Q: How long is preapproval good for?

A: Credit approvals are typically valid for 30-60 days.

Q: Should I go with a 26 foot truck or a 18 footer? Which equipment is best?

A: Anything regarding which vehicle or equipment is better than another is something we your financing partner likely has absolutely no idea about.

They are experts in funding - but you will want to look to your dealer for advice on which equipment would work best for you.

Q: Why should I choose leasing?

A: In many cases, **leasing rocks**. There are some cases where people have access to substantially cheaper funds, but we find they are few and far between.

Here is a quick rundown of the advantages of our equipment leasing programs:

- Tax deductions
- Soft pull on credit (No inquiry = No impact on credit score)
- Builds business credit (for future expansion)
- Doesn't show as debt on personal credit
- Fixed monthly payment
- No personal collateral & no blanket liens. The equipment is (usually) the only collateral
- Preservation of cash/credit lines best used for working capital
- Off balance sheet
- Minimal documentation & simple process

Conclusion

Hopefully, this document has answered enough of your questions that you now know either:

- This isn't the best choice for you -or-
- This is a process you're ready to move forward with.

If you **do not feel** that the program we've just discussed is appropriate for your situation, thank you for taking the time to read through it, may the force be with you, and other happy thoughts.

If you are ready to get rocking and rolling,

Congratulations!

On to step 2.

