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# Take your pick

The oversupplied used truck market soon will be more awash with 3-to-5-year-old tractors, creating great bargains for owner-operators. **BY JAMES JAILLET**



Used truck prices tumbled throughout 2016. The average retail price of 3-to-5-year-old tractors, \$73,300 in January 2016, plunged to \$53,900 in December, according to J.D. Power Valuation Services.

Though prices stabilized in the first half of 2017 – holding near \$60,000 through June – that modest rebound might be only a calm before

the storm. Tractors sold in 2014 and 2015 are expected to flood the market in numbers that should restrain pricing through about 2020, forecasts Steve Clough, president of Arrow Truck Sales.

That market should present owner-operators further opportunity to score cheap deals on nice equipment, particularly on aerodynamic fleet-spec sleepers.

“There are some nice buys out there right now, and any-

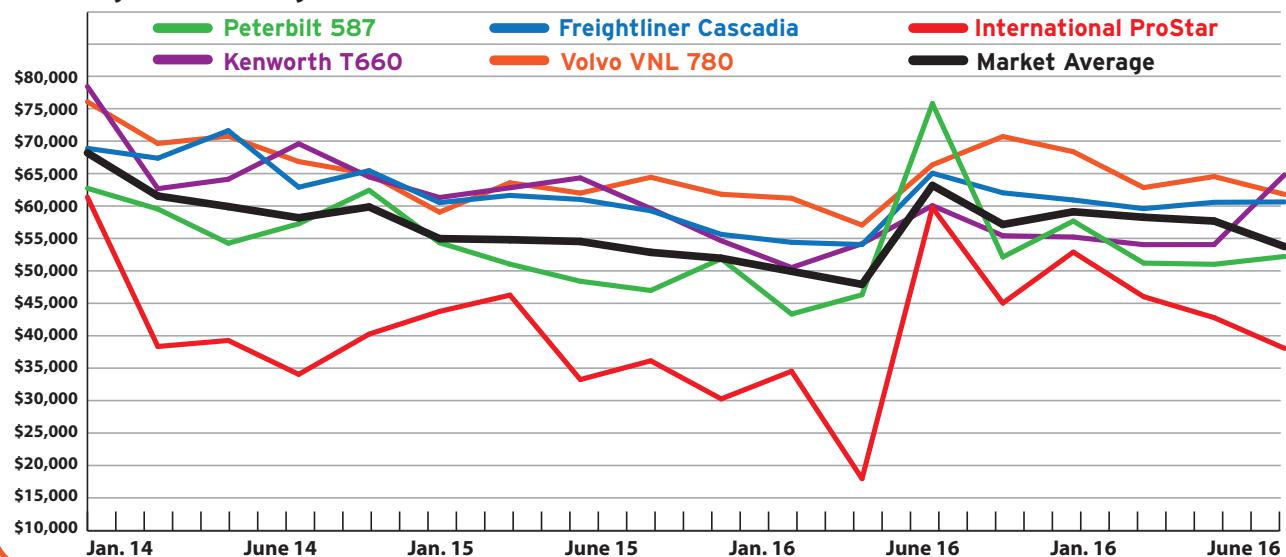
body that tells you there’s not is kidding themselves,” says Craig Kendall, president of the Used Truck Association and market manager for The Pete Store, a 15-store dealer group that spans the East Coast.

Used truck supply is predetermined, Clough says. It’s based almost entirely on the number of trucks retailed new between three and five years earlier, the common turnover cycles for fleets.

While sales cycle swings are inevitable, dramatically opposite market trends over the last decade threw the used truck supply into a more severe pendulum pattern.

The pre-buy ahead of 2007 emissions standards resulted in calendar 2005 and 2006 being the two highest sales years on record. Then

**Average Retail Selling Price of Selected 3-5 Year-Old Sleeper Tractors Adjusted for Mileage**



# Popular specs for used trucks

BY JASON CANNON



“We are constantly approached by people wanting to look at our truck and take pictures,” writes Richard Hearn, driver for Ala.-based Benny Whitehead Trucking. “We feel like we are famous with the attention we receive.”

The used truck surplus generally means lower prices, but buyers might find they have to pay up for their preferences in model or specs.

Even though fuel has been relatively cheap in recent years, aerodynamic tractors command higher prices than conventionals. Chris Visser, senior analyst for J.D. Power Valuation Services, says traditional aero add-ons such as cab extenders and fairings have shown to be worth an extra \$2,400 to a used truck “if it has all the skirts and side extenders.”

Buyers looking for a late-model aerodynamic Peterbilt 579 should be ready to open their wallet.

“That really seems to be the standout model, thanks to low volume and the marketplace seeing value in that model,” Visser says. “It’s one of the newest models out there with all the lightweighting and aerodynamics.”

Some customers are more brand-loyal, says Steve Tam, ACT Research vice president. “But there is that segment that says, ‘Make me a deal, and if it’s good enough, I’ll switch.’”

As for other features, Visser says, “Aluminum wheels – and they have to be dual, not single – a full aero package, horsepower in the mid-400 range and an 18-speed [manual] transmission is still the gold standard on the used

market.”

Despite a shift to lighter-weight smaller-displacement engines in newer trucks, bigger engines still bring premium prices.

“On the secondary market, as long as [customers] have access to bigger-bore engines, that’s going to be their preference,” Tam says. Detroit’s DD13 sells for about \$3,000 less than a DD15 when spec’d in comparable three-year-old Cascadias, Visser says.

Regardless of bore size, Cummins engines – a premium at their initial spec – have maintained the brand’s pole position in the used market, Tam says.

“It tends to do better than the vertically integrated partner,” he says. “[Preference] can be application-specific, but I think the driver wants that engine, so they are willing to pay.”

Visser believes Cummins’ position as the preferred engine isn’t undisputed and can vary significantly by make and model year. As proprietary engines increasingly become standard equipment, the price gap between integrated engines and Cummins powerplants has narrowed.

“On a late-model Freightliner, for example, [an ISX] is about \$500 to \$750 less than a DD15,” he says.

Tam and Visser agree that trucks with a manual transmission are the most sought-after. Drivers hoping

to find a discount on automated manual transmissions will need to seek out trucks equipped with Eaton’s UltraShift Plus, which Visser says adds only “a few hundred dollars” to the price tag.

Volvo’s “I-Shift is pretty much the grandfather of all AMTs and is upwards of a \$2,500 add” to a used truck’s price, he says. A Freightliner’s “DT12 is about a \$2,500 add versus a 10-speed.”

About 60 percent of tractors selling as used for the first time are equipped with an AMT, says Mike McMahon, head of strategic accounts for auctioneer Ritchie Bros.

That’s traditionally been a deal-breaker for owner-operators, but the systems are becoming more accepted, says Craig Kendall, president of the Used Truck Association and market manager for The Pete Store, a 15-store dealer group.

McMahon agrees, noting

that owner-operators and small fleets also have come around on other fleet-spec features such as 13-liter engines and 6x2 axle configurations. “They’re more and more educated on fuel economy savings and performance, and they’re starting to shift and purchase that equipment,” he says.

Visser says that with the used truck surplus, “buyers are able to cherry-pick and maybe even get a warranty on the truck. If a truck has an existing warranty, that’s a good selling point.”

Trucks from large fleets, especially if equipped with a warranty, often come with a higher price, he says. “If a large fleet with a good maintenance program sells a truck, there’s a least the perception that the truck is in good operating condition, and that is valuable to a degree.”

— James Jaillet contributed to this story.

# Inspecting a used truck

A thorough pretrip inspection can uncover obvious problems, such as oil and water leaks, faulty lights and loose belts. The tips here, which include some pretrip basics, give further pointers on assessing a truck's condition.

## TRUCK

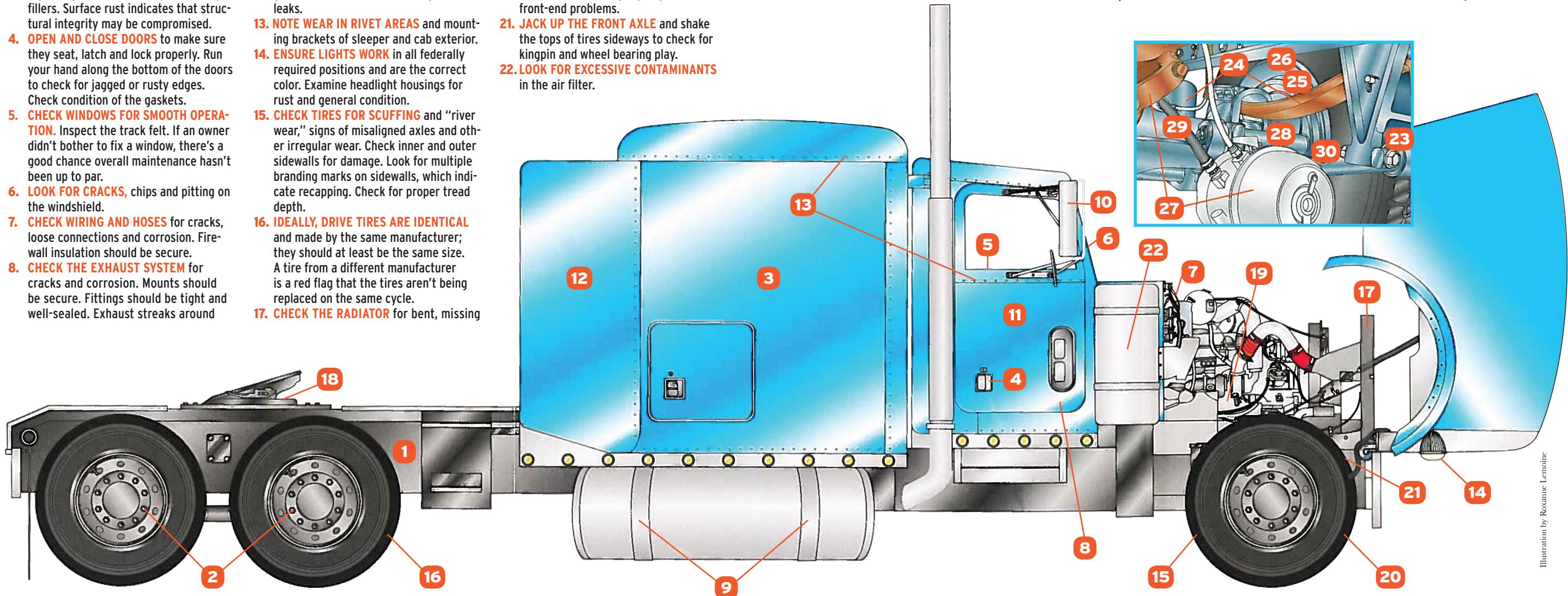
- 1. EXAMINE FRAME** for cracks, welds or bends. Rust bleeding from bolt holes indicates loose bolts.
- 2. LOOK FOR CRACKS** and signs of deformity or attempted repairs on the wheels. Rust around lug nuts indicates slippage.
- 3. RUN YOUR HAND ALONG THE BODY PANELS** to check for proper fit. If the surface feels inconsistent, try attaching a magnet to check for plastic body fillers. Surface rust indicates that structural integrity may be compromised.
- 4. OPEN AND CLOSE DOORS** to make sure they seat, latch and lock properly. Run your hand along the bottom of the doors to check for jagged or rusty edges. Check condition of the gaskets.
- 5. CHECK WINDOWS FOR SMOOTH OPERATION.** Inspect the track felt. If an owner didn't bother to fix a window, there's a good chance overall maintenance hasn't been up to par.
- 6. LOOK FOR CRACKS,** chips and pitting on the windshield.
- 7. CHECK WIRING AND HOSES** for cracks, loose connections and corrosion. Fire-wall insulation should be secure.
- 8. CHECK THE EXHAUST SYSTEM** for cracks and corrosion. Mounts should be secure. Fittings should be tight and well-sealed. Exhaust streaks around

fittings indicate leaks.

- 9. EXAMINE FUEL TANK STRAPS** and gaskets for wear and slippage. Check tank itself for wear and leaks. Crossover line, if installed, should be free of fraying and cuts. Shutoff valves should operate smoothly.
- 10. CHECK STABILITY OF MIRRORS.**
- 11. INSIDE THE CAB,** listen for leaks in brake valves. Check seat operation. Make sure drawers, doors and appliances work well.
- 12. CHECK TRAILER SERVICE LINES** and gladhand connectors for damage and leaks.
- 13. NOTE WEAR IN RIVET AREAS** and mounting brackets of sleeper and cab exterior.
- 14. ENSURE LIGHTS WORK** in all federally required positions and are the correct color. Examine headlight housings for rust and general condition.
- 15. CHECK TIRES FOR SCUFFING** and "river wear," signs of misaligned axles and other irregular wear. Check inner and outer sidewalls for damage. Look for multiple branding marks on sidewalls, which indicate recapping. Check for proper tread depth.
- 16. IDEALLY, DRIVE TIRES ARE IDENTICAL** and made by the same manufacturer; they should at least be the same size. A tire from a different manufacturer is a red flag that the tires aren't being replaced on the same cycle.
- 17. CHECK THE RADIATOR** for bent, missing

or plugged fins. Look for signs of oil or fuel in water, which could signify leaking injector sleeves. Make sure connections are free of corrosion. If fluid color seems off, the engine probably overheats regularly.

- 18. CHECK FIFTH WHEEL LOCK** by stretching truck and trailer.
- 19. ENSURE THE STEERING LINKAGE IS TIGHT.**
- 20. WATCH FOR UNEVEN STEERING TIRE WEAR,** which can signify alignment or front-end problems.
- 21. JACK UP THE FRONT AXLE** and shake the tops of tires sideways to check for kingpin and wheel bearing play.
- 22. LOOK FOR EXCESSIVE CONTAMINANTS** in the air filter.



## BRAKES AND SUSPENSION

- 23. CHECK TORQUE ARM BUSHINGS FOR WEAR.**
- 24. CHECK LEAF SPRINGS AND FRONT SUSPENSION** for cracks and wear. Watch the suspension as the truck is driven slowly across an uneven surface. It should move smoothly and respond quickly. Air springs should have no cuts, gouges or audible leaks.
- 25. CHECK BRAKE LINING.** Lining must be no thinner than 1/4 inch. Oily stains on the shoes indicate a previously failed wheel seal and potentially oil-soaked linings.
- 26. FEEL INSIDE THE BRAKE DRUM** to determine wear. With the brakes released, tap each drum with a piece of metal to see if it's cracked. Check for corrosion, wheel seal leaks and cracked friction material.

- 27. LISTEN FOR LEAKS IN THE AIR LINES** and brake canisters while someone applies the brakes. Watch the amount of pushrod travel to determine if the automatic slack adjusters are working. Make sure all linkage hardware is present.
- 28. WITH THE BRAKES RELEASED,** firmly shake the S-camshaft to determine bearing wear.
- 29. CHECK CONDITION OF AIR LINES TO BRAKES.**
- 30. LOOK FOR HUB LUBE** on the inside of wheels, which indicates a failed wheel seal.

## OTHER TIPS

- DRAIN AIR TANKS AND LOOK FOR OIL,** which can indicate that the compressor should be replaced.
- CHECK FOR LEAKS** in the fuel lines and fittings between the pump and injectors.
- LOOK INSIDE THE OIL FILLER TUBE** for a milky white substance, which indicates

- condensed water vapor.
- LOOK FOR LEAKY SHOCKS,** missing or smashed grease fittings and a crooked front axle.
- IF YOU NOTICE BLUE/WHITE SMOKE** as the engine comes to temperature, the truck is likely burning oil.
- INSPECT DIESEL PARTICULATE FILTER** for cracking and breakage. Test the diesel oxidation catalyst by forcing a regen. If the temperature difference between the two DOC sensors is less than 500 degrees during the active regen, it's probably time the DOC is replaced.
- CHECK THE FUEL FILTER FOR BLACKENING,** which could indicate oil is mixing with fuel through a leaking injector. Check fuel tanks for the same thing.
- IF THE TRUCK HAS DISC BRAKES,** check the actuator and caliper, and ensure the pad makes contact with the rotor. Check condition of the rotor.
- IF YOU HEAR ANY KNOCKING** or strange noises after the engine has been running for five to 10 minutes, inspect all electrical

# Financing a used truck

Lower prices and available capital create a good market for owner-operators with strong credit ratings **BY MATT COLE**



To get the best deal possible on a used truck, keep your credit in check, and have some longevity in trucking.



The used truck market for owner-operators is looking good: Prices are down thanks to inventory surplus, and credit is cheaper than it has been in recent years.

“For single owner-operators or small-fleet owners, money is very prevalent,” says Matt Manero, owner of Carrollton, Texas-based Commercial Fleet Financing. “Rates are still very low, and there are a lot of players in the space.”

Interest rates are about 1 percent point lower than

they were six or seven years ago and 2 to 3 points lower than about a decade ago. Manero says that’s because the cost for finance companies to borrow money has gone down. Also, the competition from lenders entering the market in recent years is keeping rates low.

For drivers with decent credit scores, interest rates on a used truck can fall between 6 and 14 percent. Manero says rates bottomed out in mid-2016, have increased about 1 percentage point since and should remain relatively low for two

to three years.

Lenders are more comfortable financing a truck that is less than five years old, but in certain circumstances, loans still will be made for older trucks.

Be prepared to show the lender copies of recent years’ tax returns, which sometimes are requested, as well as the last three months of bank statements, which almost always are required. Also know your credit scores, and ensure that they aren’t based on bad information.

“If you see something on your credit and don’t know

what it is, reach out to someone to help you understand,” says Tina Werle, credit manager for Capital Lending.

Manero says the credit score’s “magic number” for getting a low interest rate is 700 or higher. With a score below 640, he says, “you can still get a loan, but you’ll get punished on it. It could put someone in a situation where they can’t be profitable.” For many owner-operators, the “sweet spot” for truck payments is \$1,500 and below, he says.

Because a truck purchase is a commercial deal, rates are

higher than consumer loans. Even though your credit rating might be unchanged, you’re likely to get a higher rate on your truck loan than what you got on your last car or pickup truck.

Your truck’s intended use also affects the interest rate. Werle says an owner-operator buying a daycab for regional runs will see a better rate than an over-the-road buyer because wear on the truck will be lower, reducing the lender’s risk.

Credit score and length of experience affect maximum loan terms. With newer used trucks, most loans are 36 to 48 months. Werle says owner-operators with good credit could get a 2015 or 2016 truck with a 60-month loan.

For buyers interested in an older truck to avoid post-2007 emissions standards, lenders favor terms as short as 24 months. “At that point, it’s a matter of whether or not the owner-operator can handle that payment when compared to a newer used truck over a longer term,” Manero says.

Werle says pre-2007 trucks are “getting long in the tooth and more expensive to finance,” but lenders will finance them for stronger applicants.

John Cosgrove, operations manager for CAG Truck Capital, says his company will consider financing just about anything.

“If a guy wants to buy a pre-emissions truck that’s 10 years old and he has a background as a mechanic, the old truck isn’t as much of a

risk to us,” Cosgrove says. “That driver will be able to handle some of the maintenance that others may not, helping ensure the truck can stay on the road longer.”

Many lenders require owner-operators to be in business for two years before financing equipment for them. For first-time buyers, expect a 20 percent down-payment requirement, Werle says.

Loans are available to new owner-operators without any time in business, but usually at shorter terms and higher rates. Werle says repossession have been “up significantly” for owner-operators over the last 18 months, so lenders are scrutinizing deals more closely.

If you can’t get approved for a loan to buy a particular model, don’t get discouraged. “We want to put owner-operators in a situation so they can buy their dream truck,” Werle says. “We do our best to get them in a truck right away to build equity, and then they can trade that truck in a couple years and upgrade.”

Banks are one option for borrowing but generally are more reluctant because over-the-road trucks aren’t a good risk to take. But if you’ve been working with the same bank for a long time and have a good relationship with a loan officer, it’s worth a try if you have good credit.

Another option is captive lending institutions, which are owned by equipment manufacturers. Because they are in the business of selling

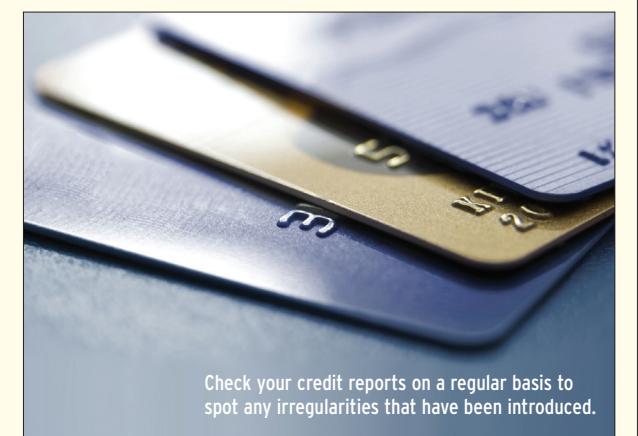
trucks, they’re more likely to lend to new owner-operators.

Commercial lending institutions such as CAG Truck Capital and Commercial Fleet Financing are not necessarily affiliated with manufacturers, but certain ones cater to the trucking

industry.

Finally, used truck dealers sometimes have lending arms of their own, outside of the manufacturer’s captive finance arm. Capital Lending is part of The Larsen Group, a group of Peterbilt dealerships primarily in the central United States.

## KEEPING UP WITH YOUR CREDIT



Check your credit reports on a regular basis to spot any irregularities that have been introduced.

Credit specialists advise regularly checking your credit score on all three major credit bureaus - Equifax, Experian and TransUnion. Your score is likely to vary at each, and you might notice something erroneous that needs to be cleared up.

You can request a free copy of your credit report from each of the bureaus once each year at AnnualCreditReport.com or by calling 877-322-8228. Some financial advisers suggest ordering one of your three free reports every four months.

Under federal law, you also can request a free copy of your credit report if a company takes adverse action against you, such as denying a credit application. The bureaus also give the option

of purchasing a copy of your report.

According to the Federal Trade Commission, AnnualCreditReport.com is the only website authorized to fill orders for a free annual credit report to which you are entitled by law. But other ways are available to check your credit score.

Some credit card companies have started putting the scores on monthly credit card statements. Also, CreditKarma is a free site and mobile app that shows your credit scores from Equifax and TransUnion without asking for your credit card information. Some sites that ask for your credit card information may appear to be free at first but will charge you after a trial period.

# Informed protection

Warranties differ widely in cost and scope. Know exactly what's covered before you buy. **BY JAMES JAILLET**



Warranties for used trucks come in a wide range of prices, coverage and lengths. You can't truly weigh the value of any particular warranty, though, unless you know what it covers – and what it doesn't.

“Read the contract itself – not the marketing material,” says Rick Clark, vice president of National Truck Protection, one of the largest warranty providers. “Get an actual sample or copy of the contract. Warranties these days come in all flavors. You can get them cheap. You can get them expensive. The most important thing when buying a warranty is to know what you're buying.”

Clark, who also is vice president of the Used Truck Association, recommends opting for a shorter warranty, such as six months to a year, with more comprehensive coverage over one that offers less coverage over a longer term.

Also learn the contract's caps on individual and cumulative repairs, he says. Say a warranty has a \$20,000 aggregate cap – the total amount of coverage for the life of the contract – and your truck needs a \$30,000 engine repair.

“You've got a \$10,000

difference that somebody has to pay,” Clark says. Multiple repairs also could max out an aggregate limit.

Repair caps also can affect individual repairs. Clark says some contracts cover only \$100 an hour for labor, but if your shop charges \$150, “somebody has to pay the difference.”

If you have trouble understanding warranty terms, have someone at the dealership explain it, says Craig Kendall, president of the Used Truck Association and market manager for the dealer group The Pete Store. “If they can't, call the warranty provider, and ask them to.”

Kendall also recommends buying a warranty at the time of purchase and rolling it into the loan if possible. “I hear people all the time say, ‘I'll buy it myself and add it later,’ ” he says. “They hardly ever do.”

Single-truck operators in particular would be wise to grab a warranty when buying a used truck, Kendall says. “Buyers often ask, ‘Can I afford a warranty?’ ” he says. “My question is ‘Can you afford not to have a warranty?’ You need to take steps to protect yourself.”

Kendall and Clark both recommend coverage that includes exhaust aftertreat-



Max Heine

Note a warranty's caps on individual repairs and cumulative (“aggregate”) repairs, which might not offer the protection you desire during the contract's term.

ment systems.

Clark says coverage for head gaskets and injectors is imperative and also provides a barometer of a warranty's quality. If it's comprehensive enough to cover head gaskets, “it's probably a good warran-

ty,” he says.

Buyers also need to check a warranty's maintenance requirements, Kendall says. “Will you do what it's asking you to do?” he says. “If not, you're setting yourself up for failure.”