

Anna Prior,

I read your WSJ article, 8/25/14 "When the Bank Says 'No'.." with interest. Since the 90's articles about Merchant Cash Advance (MCA) have been written. Unfortunately they are almost always distorted.

1. The accent on APR is wrong. A true MCA has NO APR. It is NOT a loan product per se. The reason being is that the pay back time is a targeted time frame. The funder based the funding amount on prior sales and they will deduct a % of the daily sales for their pay back. Therefore is for some reason the merchants sales slow dramatically (or as is sometimes the case goes to zero) the so called APR would dramatically change. Therefore you cannot expect the funding provider (unless they are a true lender) to quote an APR

2. Like any field that are good, bad, legitimate, professionals and plain crooks. Most are good and will not fund a merchant if they feel it will help them. Those companies that are predatory normally do not last long. A good MCA company looks to fund high mark up industries such as restaurants and avoid low markup companies such as gas stations. There is a misconception that only companies that are desperate will go to an MCA provider. This is not necessarily true. Many companies now use the funds for expansion and because they are profitable and in a high markup environment can afford the so-called "Vig".

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