

Merchant Cash Advance Lingo



Advance Amount: The amount of money given to a business up front in exchange for a percentage of future revenues.



Business Cash Advance: Sometimes called a **merchant cash advance** or a business cash advance loan, this is a financial transaction where a business “sells” a portion of future sales in exchange for a large cash payment. Payment amounts, repayment terms, and repayment amounts vary depending on the agreement reached with the advance provider.



Cash Advance Provider: A business that purchases the future sales of another business in exchange for a cash payment. Often the future sales are based on the amount the merchant processes in credit card charges on a monthly basis. The provider can be a large bank or a small business that specializes in this type of financial product.



Factoring Service Provider: A business that purchases accounts receivable loans from other businesses.



Factoring Fee: The percentage that a **factoring company** charges for collecting on a purchased invoice.



Factor Rate: Refers to the percentage of the advance amount that the provider charges to provide the advance. The factor rate is usually between 15-35% of the total cash advance. This rate varies depending on credit history, business revenue amounts, and the risk the cash advance company is taking in advancing the merchant.



Daily Retrieval Rate: The dollar amount a provider collects from daily credit card revenue.



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Safe Retrieval percentage: Refers to the daily retrieval rate as a percentage, which is the portion of daily sales that are “safe” to use for daily repayment without hurting the businesses cash flow need. This percentage varies from merchant to merchant depending on the volume of credit card sales and the advance amount.

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