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For many small business owners, a merchant cash advance is an excellent solution to some of their financial woes. Because bank loans are scarce and, for many merchants, completely unavailable, more and more are turning to merchant cash advance providers for working capital. However, though the actually transaction is fairly straight forward, there still exists some confusion as to what a merchant cash advance is, and what it is not. Here we lay out what a merchant can expect and what they wonâ€™t receive with a merchant cash advance from Paramount Merchant Funding.

Firstly, a merchant cash advance is not a loan. There are many different stipulations on bank loans than there are for a merchant cash advance which gives merchants certain advantages over a traditional loan. Merchant cash advance providers do not facilitate bank loans and neither have any involvement with the government or SBA.

A merchant cash advance is a purchase agreement. The merchant cash advance provider purchases the merchantâ€™s future credit card sales at a discounted rate and in order to pay it back the merchant returns the amount of the advance as well as the premium through small percentages of all future credit card sales until the full amount is returned.

Some merchants may be confused by the use of credit cards as a sales tool. Merchant advance providers are not credit card providers nor do they extend lines of credit to businesses. The only physical thing provided by the merchant cash advance provider is a different credit card processor which will allow the business owner to repay the merchant cash advance simply by swiping a customerâ€™s card.

Because the merchant cash advance is based on future credit card sales the merchant needs to provide earlier credit card statements to show how much business they do. This means that a merchant cash advance cannot be used for start up capital for a business that is not up and running yet. It also means that only a business cam receive a merchant cash advance, not an individual. A merchant cash advance is also not a substitute for venture capital or buying equity/shares in a business.

What a merchant cash advance does do is provide working capital quickly and effectively to business owners all over the country. The process is much more streamlined as compared to banks or private investors and the merchant can receive funds in a matter of days as apposed to weeks and months of waiting for banks to call them back. The funds from a merchant advance can be used at the discretion of the business owner. For many merchants, the biggest draw for a merchant cash advance is the fact that, while credit scores are required for the application, it is not the main criteria used to approve a business for an advance. This means that for many whom the banks turned away, they will find that they have much better luck with merchant advance providers.

rish Taylor is a merchant capital consultant with Paramount Merchant Funding and has been providing business owners with financing since 1992. For years she has helped people qualify for a merchant account cash advance.

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