



CHOSEN PAYMENTS
AN  AURORA COMPANY

Merchant Cash Advances

Does your business have seasonal lulls that interrupt your cash flow? A Merchant Cash Advance provides a solution for interrupted cash flow or even a special project that needs funding. Merchant Cash Advances are also referred to as a Merchant Loan.

We offer flexible terms that allow you to get an advance on future credit card transactions processed by *Chosen Payments*. Even though you will pay back over time, it really isn't a true loan since you will rely on future sales to pay back the advance. The biggest advantage of an advance is that funding is provided quickly in most cases. The risk analysis is very different when compared to traditional bankers and the way they evaluate a business for a loan. For a business that might not qualify for a traditional loan and one that needs immediate cash and has a healthy history of daily credit card transactions, we can generally advance money to you.

How Does it Work?

When *Chosen Payments* advances funds to you, we will agree on the amount we will advance and how we will collect the money using a "holdback" system. The holdback is a predetermined percentage of future credit card transactions withheld to pay back the advance. The process of holding back a percentage of transactions continues until the advance is paid back in full plus fees. The fact that we base the amount of cash advances upon your recent processing history eliminates the need for collateral.

There are two factors to consider: They are called the holdback percentage and the repayment rate. The holdback percentage is the daily cut of your transactions paid back to *Chosen Payments*. The repayment rate is the interest on top of the initial advance you will pay back. For example, there could be a holdback of 10%, and a repayment rate of 25%. It is crucial that you understand the difference since cash advances are much different than a traditional bank loan.

The holdback percentage is based on the advance amount, how long it will take to repay and the average monthly revenue of your business. For instance, if you take an advance of \$20,000 with an agreement to pay back \$25,000, the repayment rate is 25% of the amount advanced. Additionally, the terms might include a holdback percentage of 20% of your daily credit card transactions. In summary, if you bring in an average of \$16,000 in monthly credit card sales, *Chosen Payments* would take \$3,200 each month until the \$25,000 advanced is completely repaid. This scenario would take about 8 months to repay. Holdback rates range from 10%-20% and vary based on the risk evaluation of your business.

Should you take a Merchant Cash Advance?

When you need quick access to funds, a Merchant Cash Advance may be a good option. Also, the credit requirements are less than what your bank might require for a small business loan. The process to get an advance is quick and easy. It takes anywhere from a few hours to a few days to get approved but once approved we will immediately put the money in your bank account just like a normal credit card transaction.

Other Things You Should Know

A Merchant Cash Advance does not help build your business's credit profile. This is because it is not a loan and we do not report the transaction as a loan or report your payment history to credit bureaus. If your business needs a cash advance to finance an expansion project, a one-time marketing endeavor, purchase better equipment or other small business needs, consider a Merchant Cash Advance. If you can't qualify for a bank loan and have a consistent history of daily credit card transactions, *Chosen Payments* can help you. Speak to your Account Executive to discuss the options.