

## FINANCE

# Case Study: How a Merchant Cash Advance Worked in a Pinch



**MICHELLE GOODMAN**  
MAGAZINE CONTRIBUTOR



79  
Shares



JUNE 11, 2012

This story appears in the [May 2012](#) issue of *Entrepreneur*. [Subscribe >>](#)

## Between His Own

\$700,000 investment and \$500,000 from his partners, Arturo Calderon thought he had the financing for his new restaurant in the bag. But construction costs of the 3,000-square-foot Yucatan Taco Stand in The Woodlands, Texas, ran \$80,000 over



Opening, although business was brisk from the start, operating without that \$80,000 was tight. So one month after opening, Calderon applied for a cash advance from [ExpressBusinessLoans.com](https://www.expressbusinessloans.com), which works with businesses doing a high volume of credit and debit card transactions in exchange for a percentage of future sales.

Considerably more expensive than a bank loan (Calderon's markup was 20 percent), merchant cash advances don't have a fixed repayment date. They're also fast-- within 48 hours of applying, Calderon had the \$80,000 he requested in hand. We talked to him about the road to quick cash.

## Why did you choose this route?

We needed that money to operate. I didn't want to leave the business without any money in the bank, and I didn't want to go back to my investors and say, "The numbers are really tight. Put in some more money." And I didn't want to put in more money myself, because my investors would be diluted.

A few weeks after we opened, I had a bank that was going to lend me the \$80,000, but it was going to take four to five weeks, and I didn't have that time. I needed the money right away, because I didn't want to be late on any payments. And [ExpressBusinessLoans.com](https://www.expressbusinessloans.com) said, "I can give you the money tomorrow." It's expensive, but it made sense.

## What did the application process involve?

I showed them we were doing almost \$40,000 a week in sales in the first month,

---

### Borrower Beware

Dozens of financial organizations offer merchant cash advances, without much regulation. Before taking their money, take these precautions:

**Do the due diligence.** Investigate providers online, check with the Better Business Bureau and talk to other entrepreneurs who have borrowed from them.

**Crunch the numbers.** Track sales for at least six months to ensure you're earning enough to repay the debt comfortably.

**Be wary of extra fees.** Application and funding fees are not the norm. Avoid providers who tack on these extra charges.

---



company agreement.

## How does the repayment process work?

They gave me \$80,000 in cash, and I have to pay them back \$100,000. They take 12 percent of my MasterCard, Visa and Discover Card sales every day until it's paid off, and I receive what's left. I'm a financial guy, and I know this is a very high price. But you don't feel it, because every single day you're paying your debt. It's not like you have to pay a really high set amount every month for a year. So this worked for me. It makes sense when you have this volume of sales.

## What advice do you have for those interested in a merchant cash advance?

You'd better be sure of the numbers you're making before going into this kind of financial deal, because it can kill you very easily. If you're not doing the sales that you need to, you're not going to make it. And you need to pay these guys back within a year--ideally, in six to eight months--because these guys are the first to get paid, and then you start paying your bills. So if you're not doing well, you can lose your business.



**MICHELLE GOODMAN** | 

Michelle Goodman is a Seattle-based freelance journalist and author of *The Anti 9-to-5 Guide*. [Read more »](#)

---

## You May Like

Sponsored Links by Taboola 

### Salem, Utah: This Brilliant Company Is Disrupting a \$200 Billion Industry

EverQuote Insurance Quotes

### Why Everyone is Buying These \$24 Yoga Pants

Fabletics



### You're In For A Big Surprise in 2017 If You Own A Home in Utah