

The Sad & Expensive Truth about MCA Loans

1.3 rate factor? Notarized COJ? What do these terms even mean? And more importantly, what is the real cost to you of a Merchant Cash Advance? MCA loans are typically 4 to 10 times more expensive than Invoice Factoring with none of the protection. The MCA ACH Loan Rule of Thumb says, whatever the MCA Rate Factor dollar amount is over the payback period, your net profit should be more. If not, at the end of that period you will be that much closer to bankruptcy. For example, if the ACH loan cost is \$30k and you are paying it back in 3 months and your net profits are less than \$30k in those 3 months – DON'T DO IT!

Also, a MCA loan is a one-time event. You get \$100,000 once, and then you hemorrhage cash via daily ACH payments from your bank account until it is paid off. With Paragon, you are rewarded for growth! The more sales you generate, the more working capital you receive based on your increased client billings. We have clients who grew from \$50,000 to \$3,000,000 in sales per month and Paragon was with them for their entire successful journey with unlimited working capital and credit protection.

The only plus of an expensive ACH loan is you get your money a few days faster than from a reliable invoice factoring company like Paragon. However, the hidden negatives are so onerous that they could kill your company.

\$100,000 from a MCA lender

MCA Rate Factor	1.6	\$160,000	\$160,000	\$160,000
	1.5	\$150,000	\$150,000	\$150,000
	1.4	\$140,000	\$140,000	\$140,000
	1.3	\$130,000	\$130,000	\$130,000

Months # of Daily Payments		3 months 63	6 months 126	9 months 189
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Daily Payment Amount	1.6	\$2,539	\$1,269	\$846
	1.5	\$2,380	\$1,190	\$793
	1.4	\$2,222	\$1,111	\$740
	1.3	\$2,063	\$1,031	\$687

APR!	1.6	423%	212%	142%
	1.5	359%	181%	121%
	1.4	294%	148%	99%
	1.3	226%	114%	76%

Example Rates & Fees: MCA/ACH Loan vs Factoring

Factoring \$125,000/month with a 80% advance @ 1.5%/30 days

Monthly Factored Invoices	\$125,000
80% Advance	\$100,000
3 Months of Factoring Cost	(\$5,625)
Versus 3 month MCA Fees	(\$40,000)
Paragon Factoring Savings	\$34,375!

Hypothetical \$100,000 from Paragon Financial

Invoice Factoring from Paragon typically includes the additional value-added services of Credit Protection & AR Management, which means you receive even additional superior value versus any ACH/MCA/marketplace loan. You get so much more than just working capital from a good factoring company like Paragon.

Try our [invoice factoring calculator](#) which estimates both factoring's benefits and costs, and allows you to compare the cost of lenders who offer less services and versus the killer high rates of a MCA loan.

