The money arrives on Monday. By Tuesday, a piece of the business's sales is already going somewhere else. That is how a merchant cash advance can work. A company gives a business money upfront in exchange for collecting an agreed amount from its future sales. The attraction is easy to understand: the owner needs money, and the provider offers quick access. The catch is in what happens after the deposit. Customers will still need service. Employees will still need paying. Supplies will still need replacing. But some of the money coming through the business will already be committed to the advance provider. Accepting the money means planning for those collections before spending the deposit (Investopedia www.investopedia.com).

Start with the price. Merchant cash advances commonly use a factor rate, which is a number used to calculate the total amount the business must pay back. The name sounds more complicated than the calculation. If a business receives $10,000 at a factor rate of 1.30, it must pay $13,000 before any additional fees. Another way to read that offer is: for every dollar received, the business must return $1.30. The extra thirty cents is the financing charge. That small-looking "1.30" does not mean the financing costs 1.30 percent. It means the provider expects $3,000 above the original $10,000. A factor rate also does not tell you how expensive the arrangement is over time. Paying that $3,000 charge over three months is much more expensive on a yearly basis than paying the same charge over twelve months. To compare it with a loan, request the estimated annual percentage rate, or APR, which expresses financing cost on a yearly basis using the payment amounts, timing, and applicable fees (NerdWallet www.nerdwallet.com).

For Black entrepreneurs, an offer of fast financing can arrive after a frustrating search for support. The Federal Reserve Banks' report on their 2016 small-business survey found that 61 percent of Black-owned applicants received at least some of the money they requested through loans or lines of credit, compared with 80 percent of white-owned applicants. A line of credit allows a business to borrow as needed up to an approved limit. The report also found that expansion or pursuing a new opportunity was the leading reason businesses sought financing across racial groups. These owners were trying to build something. The figures describe unequal outcomes, although they do not explain every individual lending decision (Federal Reserve Banks www.fedsmallbusiness.org). After hearing "no," an owner may understandably feel relief when someone says "yes." Still, receiving approval and being able to afford the payments are two separate achievements.

The daily payment can be harder to manage than the total price suggests. Some providers collect a percentage of sales, called a holdback percentage. A 10 percent holdback means that ten cents of every covered sales dollar goes toward the advance (Intuit QuickBooks quickbooks.intuit.com). Follow one simple example. A business makes $100 in sales. It needs $90 to cover the expenses of operating, leaving $10. Now the advance provider collects 10 percent of sales—also $10. Nothing remains from that $100 after those expenses and the collection. Ten percent of sales can consume everything that would otherwise have been left. This is why sales and profit cannot be

treated as interchangeable. Sales are the money customers pay. Profit is what remains after expenses. A busy business can have customers all day and still have very little money available to meet a new payment.

A slower week can create another problem. When collections are a percentage of actual sales, fewer sales mean a smaller collection. Other arrangements take a fixed amount from the business bank account each day or week, which can keep money leaving even when business slows (Intuit QuickBooks quickbooks.intuit.com). Some contracts provide reconciliation, a process for adjusting collections to reflect the money the business actually received. Put plainly, the owner presents sales records and requests a payment adjustment under the contract. That adjustment may not happen automatically. Before accepting an advance, the owner needs to know how to request it, which records to provide, and what conditions apply. A salesperson saying "we work with you when sales drop" is not enough to explain what the business can actually require under the agreement (New York State Unified Court System www.nycourts.gov).

Even the advertised advance deserves a second calculation. A $10,000 offer may deliver less than $10,000 if the provider deducts a fee before depositing the money. The business then has less cash to use while still facing the contractual payback amount. Early payment can also work differently from what an owner expects. With some agreements, paying ahead does not reduce the full financing charge; others provide a discount. The written terms determine the result (NerdWallet www.nerdwallet.com). Before signing, put three amounts on one sheet of paper: what reaches the bank account, what will leave the account in total, and what will be collected each day or week. Then place those collections beside ordinary business expenses. That simple exercise turns an attractive offer into something the owner can judge against the business's actual ability to pay.

There is a real reason to keep counting after the money arrives. The Federal Trade Commission, or FTC, is a federal agency that enforces consumer-protection and competition laws. It sued merchant cash advance provider Yellowstone Capital and its owners in 2020, alleging that the company continued withdrawing hundreds or thousands of dollars after businesses had paid the full amounts required by their contracts. The defendants agreed to settle. By June 2026, the agency was distributing a third round of refunds, with the first two rounds having returned more than $9.1 million (Federal Trade Commission www.ftc.gov). An automatic withdrawal still needs a human checking it. Keep the agreement, track each collection, and request written confirmation when the obligation has been satisfied. Money collected beyond the agreed amount is money the business cannot use for its own needs.

Before using an advance to buy equipment, restock shelves, or accept a larger job, work through how that purchase will produce enough money to support the collections. Include the costs of doing the additional business. More customers may require more supplies, more labor, and more spending before any extra profit appears. Run the numbers for a slower week as well as a successful one. For a Black business owner

building something intended to last, the goal is to keep enough of the business's earnings available to operate, grow, and support its owner. The deposit helps once. The payment schedule affects the business until the agreement is fulfilled.