MCA vs. Line of Credit

A plain-language cheat sheet for business owners

QUEEN ADVANCE

A merchant cash advance (MCA) and a business line of credit can both put cash in your account, but they work very differently. Use this page to compare them side by side and to know what to ask before you choose.

	Merchant cash advance	Business line of credit
What it is	A lump sum in exchange for a share of future sales or receivables. Not technically a loan.	A revolving limit you can draw from as needed, repay, and often draw again.
How you repay	Fixed daily or weekly payments, or a percentage of sales, until the agreed total is paid.	Usually regular payments on what you have drawn, often weekly or monthly.
How cost is shown	A factor rate (for example 1.3). Total repayment = amount advanced x factor rate.	Interest on the amount drawn, and sometimes fees. Ask for the full fee schedule.
Flexibility	Fixed amount. Need more later, and you usually arrange a new advance.	Flexible. You only use (and pay on) what you draw.
Often used for	Quick working capital, seasonal gaps, one-time opportunities.	Ongoing needs such as payroll timing, inventory, and covering slow-paying customers.
Watch for	Daily or weekly payments that strain cash flow, and stacking several advances at once.	Fees, draw or maintenance charges, and renewal or review terms.

Which may fit better? Start with these questions

- ☐ Is this a one-time need (an MCA or a short-term option may fit) or an ongoing one (a line of credit may fit)?
- ☐ Can the business handle fixed daily or weekly payments, even in a slow week?
- ☐ Do I know the exact amount, or do I want room to draw what I need as I go?
- ☐ Have I compared offers by total repayment and term, not by the factor rate or headline number alone?

Ask any provider, in writing

- ☐ The total amount I will repay, including every fee
- ☐ The payment amount, how often it is taken, and the length of the term
- ☐ Whether early payoff changes the total cost
- ☐ Whether there is a personal guarantee or a lien, and what happens if I fall behind
- ☐ Who the funder is, and whether any fee is due before approval

Not sure which fits? Tell us about your business in about a minute at **queenadvance.com** or call **(646) 355-8145**. Subject to approval.

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