

SOLUTION BRIEF

ALTERNATIVE LENDING: MCA

## The Marqeta Solution for Merchant Cash Advance

The lending financing market has exploded, and to remain relevant and competitive in this fast-evolving environment, MCA providers must now become payment companies that are tech-enabled and modernized for today's world. MCA providers not keeping pace could risk losing market share if the gaps in the MCA provider/merchant experience are not addressed. Without these considerations, growth and scale become unattainable

**CHALLENGES** Merchant Cash Advance (MCA) providers heavily depend on renewals to maximize the lifetime value of every merchant. To drive renewals, it is essential for MCA providers to offer a funding experience that creates customer relationships over the long term. However, the industry at large is facing the following challenges:

**Slow disbursement of MCA funds** - The small or mid-sized business that applies and receives fast approval for a merchant cash advance may still have to rely on the MCA provider who uses ACH and costly wire transfers, which can take a week or more to disburse. For a business owner who needs immediate cash to purchase inventory or make payroll, this wait time can put their business at risk.

**Low brand awareness and loyalty** - Once the merchant cash advance is disbursed, the merchant rarely thinks about the MCA provider as they spend the funds from their own business checking account. Once the merchant cash advance has been repaid, the merchant becomes disengaged with their provider until they need a new source of capital and apply for another advance. The MCA provider is back at square one in competing for the relationship and begins to incur additional acquisition cost.

**Stacking** - Sometimes underwriting rules can prevent MCA providers from providing the amount of cash that a merchant needs. The merchant then takes out multiple advances from multiple lenders in a practice known as "stacking." Because MCA loans are often unsecured, lenders have no awareness of one another, and no insight into the borrower's MCA portfolio or ability to repay. This puts the borrower at risk for default, which negatively impacts all lenders involved.

**BENEFITS** Marqeta's modern payments platform is built for modern use cases like the lending industry. Our suite of open APIs and platform tools support the world's leading innovators with card issuing and payment processing, giving MCA providers a powerful new model for scaling and engaging borrowers. Marqeta's LEND solution is the new standard for lending use cases, including MCA.

#### For Lenders:

- Disbursement of funds to a physical, virtual or tokenized card or Digital Wallet within seconds via Visa, Mastercard or Discover
- Alternative Lenders manage authorization and spend category codes at merchant, terminal, and store ID levels
- Co-branded solution drives top-of-mind and top-of-wallet usage behaviors
- Real-Time-Data attached to each transaction and insights help inform risk, underwriting, risk and marketing strategies
- Developer-focused tools and comprehensive documentation accelerates integration in as little as 60 days

**The essential tools for innovating lending** - Marqeta empowers alternative lenders with tools, technology, and controls they need to level the playing field.

**Fast funding, easy renewals** - Cash advances are loaded onto a customized payment card, either virtual, physical, or tokenized, giving borrowers instant access to funds. Because the Marqeta card allows for a “synthetic” product, i.e. a vehicle for continuous funding, alternative lenders can give their merchants easy access to more money whenever needed, driving stronger, ongoing customer relationships.

**Greater management over transactions** - Marqeta’s Just-in-Time “JIT” funding eliminates the need to preload a card by automatically transferring funds at the time of transaction. The Alternative Lending solution allows MCA providers to set parameters that will instantly approve or deny each transaction based on the provider’s business logic, helping to provide transparency and mitigate risk.

**Simplified implementation** - Marqeta enables MCA providers to design and build their own custom payment solution with full transparency and interoperability with back office systems – at unprecedented speed. Our suite of open APIs gives developers the control, scale, and insight they need to build beautiful payment experiences, without the complexity of legacy issuer processors, in as little as 60 days.

**On-demand data & insights** - Detailed transaction data and analytics help MCA providers learn more about the merchant behavior and preferences helping to inform risk, underwriting, and market strategies.

**ABOUT** Marqeta is the first modern card issuing and core processing platform, powering prepaid, debit and credit cards for the world’s top commerce innovators. Marqeta’s advancements represent the first fundamental updates in the past twenty years to card issuing platforms, a \$30 trillion addressable market covering all possible cardable spending.