

## For Lenders: What Business Owners Need to Know About “MCA Debt Relief” Firms

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### The 10 Questions Business Owners Must Ask Any “MCA Debt Relief” Firm Before They Sign!

A guide you can share with borrowers to protect them from false promises, predatory fees, and deeper financial trouble.

If your borrower is drowning in merchant cash advances (MCAs), they're not alone—and they're not without options. But not every so-called “debt settlement” company will actually help your borrower. These firms often create more problems than they solve, leaving business owners worse off and lenders wondering what happened to a once-performing credit.

Help your clients protect themselves by encouraging them to ask the following 10 critical questions. This guide can help preserve borrower relationships, protect your collateral, and avoid preventable portfolio deterioration.

#### 1. “Reduce your MCA payments by up to 80%”?

Sounds great—but what happens when just one MCA says ‘no’. Yes, payment reductions are possible. But negotiation is only half the battle. If even one MCA refuses to settle, they can trigger a UCC 9-406 notice—legally hijacking receivables and cutting off cash flow overnight. That's game over. Most so-called relief firms don't even know what a 406 notice is—let alone how to defend against it. If the model assumes 100% creditor cooperation, it's one rejection away from collapse.

#### 2. Do you have a plan if the negotiated payments are still unaffordable?

Even settled balances can lead to payments the business still can't afford. Defaulting on a settlement sends the business back to square one—only now with less time and fewer options. If the firm doesn't have a follow-up strategy, that borrower is likely headed to a bankruptcy attorney.

#### 3. What does your firm do to help me qualify for traditional funding so I can get rid of MCAs altogether?

A true solution means becoming conventionally financeable again. If there's no pathway to further ABL, factoring, revenue based working capital lines, or SBA qualification, the business remains trapped in high-cost capital—barely surviving, never growing.

#### 4. Do you require a nonrefundable enrollment fee before even speaking to creditors?

Some firms bury a 15% “enrollment fee” into their contracts—charged upfront, based on the full enrolled debt amount, and completely nonrefundable. That's before a single creditor is even contacted.

Legitimate restructuring firms do not require large, upfront payments just to get started. In fact, the FTC prohibits debt relief companies from charging fees before settling or renegotiating at least one debt. If the firm's business model depends on front-loaded payments, that's a red flag—and you may be paying for hope, not results.

In recent years, many debt settlement firms have realized they can't get away with blatant upfront fees, and while some still try, others have adapted by using their ‘no upfront fee’ policy as a selling point to appear legitimate. In reality, they've simply shifted their profit model — leaning harder into the more obscure, deceptive clauses.

#### 5. What kinds of hidden or back-end fees do you charge—beyond the obvious?

Even if a firm doesn't charge an upfront fee, that doesn't mean they're transparent. Many debt relief contracts are loaded with back-end fees designed to extract maximum profit with minimal results. Key examples include:

**Inactive Debt Fees:** A flat percentage of your enrolled debt, even if the creditor is never contacted or no settlement is reached. One real-world example: a \$100,000 MCA balance was charged \$35,000 in fees with zero creditor outreach.

**Settlement Extension Fees:** For each month a creditor takes longer to accept payment terms, some firms charge an additional 1% of the total debt. A \$100,000 debt with a 36-month repayment period could rack up \$36,000 in fees—on top of the actual payments. **Success Fees on Reductions Only:** Many firms charge 35% of the “savings” they negotiate—but the math doesn’t always add up. Example: if they reduce your \$100K debt to \$75K, they may claim \$25K in savings and charge \$8,750 as a “success” fee. Now combine that with extension fees, and the cost of the settlement could be greater than the debt “relief” itself.

**Early Termination Penalties:** If the business owner cancels—even due to firm failure—they may be hit with penalties like “2% of remaining enrolled debt per month in the program.” A business that enrolled \$500K and cancels after two months could owe \$20,000 on top of any prior fees, even if the firm delivered no results. Ask for a complete, itemized fee schedule upfront and have them walk you through real examples. If they won’t, that’s your answer.

#### **6. Is your success fee based on closed deals—or just activity?**

Some firms define “success” as a creditor merely responding. That means the business pays for activity, not outcomes. Make sure success = actual settlements.

#### **7. How do you protect me from UCC 9-406 notices hijacking my receivables?**

MCAs don’t need a court order to redirect revenue. A single 9-406 notice sent to a customer or factor can collapse a business’s cash flow in a day. If a relief firm has no legal or structural strategy to prevent this, they are not protecting the business.

#### **8. What’s your strategy for handling personal guarantees and judgments?**

Most MCA contracts include personal guarantees and some even include confessions of judgment. If the relief firm only negotiates the business debt, the owner may still be left personally exposed.

#### **9. If things escalate legally, will your firm back me—or hand me off?**

If an MCA sues during the process, will the firm represent the business or abandon them? If they don’t handle litigation defense, they’re only there when it’s easy.

#### **10. Can you show me real results from people you’ve helped?**

Reputable firms will have real case studies, testimonials, and examples of impact. If they can’t show proof, they probably don’t have any.

## **Bottom Line for Lenders**

Educating your borrowers protects both sides. Share this guide with clients under MCA pressure to help them avoid predatory traps, protect cash flow, and get back to real funding relationships—like yours.

For lenders finding themselves in the role of trusted advisor to a business owner in MCA distress, ABL Advisor has identified the following companies for referral:

**Second Wind Consultants.** The clear leader in the MCA resolution space by far. Second Wind’s approach typically involves balance sheet and entity restructurings under Article 9.

**Rise Alliance.** Offers transparent settlement work and cash flow relief, while avoiding the issues and questionable practices outlined in this article. Rise Alliance works with small businesses who may not need a full corporate restructuring, but need new payment terms and a path to conventional refinance. One of very few legitimate settlement options in the lower middle market.

**Lawrence Financial.** Nationally recognized commercial finance brokerage and loan advisory. Lawrence Financial will work with potential borrowers to qualify for refinance, or otherwise advise on restructuring options.

**Breakout Finance.** Established junior debt and senior secured debt provider, representing a robust option for MCA refinance and revenue based working capital lines.