



## New SBA Rule on Debt Refinancing Creates Uncertainty in the MCA Market

### Description

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This article discusses the recent SBA rule that prohibits business leaders from using SBA loans to refinance their Merchant Cash Advance (MCA) debts. It considers the possible impact of the rule and how lenders can best market MCAs to business owners in this environment.

After recently suffering higher than normal SBA loan defaults, the U.S. Small Business Administration (SBA) has announced that its 7(a) SBA loans can no longer be used to refinance Merchant Cash Advance (MCA) debt. The 7(a) loan is the primary loan approved by the SBA, giving qualified small businesses up to \$5 million. Funds may be used for refinancing current business debt, as well as for working capital, real estate and equipment purchases or improvements, changes of ownership, and more. However, effective June 1, 2025, MCA debt will not be allowed to be refinanced by the SBA lender for 7(a) loans. Business owners will need to look to other funding sources for MCA debt resolution.

### What this means for the MCA market and business lenders

How this new change will affect the market for MCAs is relatively unknown at this point. As business lenders hypothesize about what could occur, the general chatter includes a few possibilities:

#### 1. The number of MCAs written will likely decrease.

Business leaders select MCAs for many reasons. They may not have qualified for other loans, or perhaps they needed immediate funding that was best provided by an MCA. One could argue that business leaders who are looking for quick funding may not be deterred from applying for MCAs without the possibility of using SBA-approved loans to ultimately resolve this debt. However, you could also argue that almost all business owners are interested in refinancing MCA debt with less costly options

like SBA loans. They will likely want to stick with the strategy of using SBA loans to resolve or refinance their debt, leading them to consider additional types of funding that can still be refinanced with SBA loans. This would lead to less MCAs.

## **2. Business lenders will be keen to offer alternative types of financing.**

When one door closes, another door usually opens. It is likely that business lenders will develop new or alternative types of funding that could provide the benefits of an MCA but be packaged differently. This would allow them to convert traditional MCA purchasers out of their MCA, while still retaining them as clients.

## **3. MCA debt resolution could increase.**

Losing the option to use SBA-approved lower interest rate loans for MCA debt resolution could heighten awareness and drive growth in the MCA debt resolution market, albeit through other funding sources.

## **4. Challenges to enforcing the rule could limit its impact.**

Many people question just how enforceable the new SBA rule will be. As of early May 2025, the SBA has approved more than 50,800 loans in 2025, worth more than \$22 billion. It could be a heavy task to track and police every loan. With potential loopholes (as there often are) and without a clear effort on enforceability, this rule could be widely overlooked.

## **What business lenders can do to market MCAs in this environment**

Product development aside, business lenders can look to tried-and-true lead generation strategies and solutions to market MCAs in this uncertain environment.

- **Target business leaders who have already applied for an MCA**

Your best prospects are those business owners who have already applied for an MCA. They are high intent and are already interested in MCA as a funding source.

- **Establish a message and cadence that makes sense in this environment**

Make your messaging relevant to the current market conditions, convincing business owners that MCAs are a viable option. Set a cadence that will guarantee more connections and ensure that your team consistently follows the cadence. Call immediately when leads are delivered and up to three times daily for a couple weeks. Make sure you call at different times of the day for the greatest success. Consider telemarketing, texting, and emailing campaigns.

- **Keep it simple with your lead choices**

While there are many types of leads available in the MCA space, real-time and aged leads consistently perform well in all environments.

Our aged and real-time aged leads offer:

- Access to business leaders who have already completed an MCA application and are qualified as having at least \$20,000 in revenue
- Two levels of outputs, including data fields from the applications as well as bank statements
- Verified cell phone numbers and emails, giving lenders the flexibility to run telemarketing, texting, and/or email campaigns effectively
- Availability of exclusive, unsold leads

If you would like more information on how you can grow your MCA business, give The Leads Warehouse a call at 1-800-884-8371 or visit our website at <https://theleadswarehouse.com>.

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