

# Start-Up Veteran

*Entrepreneurial understanding and solid financial footing help RapidAdvance cater to merchants*

By Bryan Ochalla



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Jeremy Brown knows how hard it can be to keep a business afloat. Now the president and chief operating officer of Bethesda, Maryland-based RapidAdvance, Brown has run a variety of small businesses over the last 20 years.

A CPA by profession, Brown worked as an accountant for five years before getting the “entrepreneurial itch,” he says. During the last three years, Brown has drawn on his business-startup experience while launching RapidAdvance, which provides cash advances to small- and medium-sized businesses in exchange for a percentage of the businesses’ future credit and debit card transactions. He launched the company with CEO Lee Jundanian, a former corporate and transaction attorney and founder and chairman of Stone Street Capital Inc., in 2005 after discussing the idea over breakfast the year before.

“[Jundanian] had learned a lot about this industry and was very interested in getting into it,” Brown says. The feeling was mutual, so the pair proceeded with an “extensive period” of due diligence before deciding to launch the business.

## Seamless Process

Today, RapidAdvance, which is funded by Goldman Sachs, has approximately 85 employees. The company is able to fund more than \$100 million in merchant advances each year.

“We have seen very high growth—month over month, year over year—and we don’t see any end in sight to that,” Brown says, adding that many merchants currently need capital. “Unfortunately, they’re not well served by banks—because most small businesses in America do not have collateral, and most banks are collateral lenders. So our product is an attractive option for those folks who are unable to get funding from those sources. We thought we could provide a service, meet a need, and do some good in the process.”

To do that, officials first look at a prospective client’s historical cash flow from credit card sales. “Based upon that, we will purchase a percentage of their future credit card sales at a discount,” Brown explains. “So, for example, we’ll purchase \$20,000 of a particular company’s credit card sales over the next 12 months, we’ll take a 15 or 20 percent discount off of that expected future value, and we’ll pay the company an amount today that is an advance against those future sales.”

In return, RapidAdvance takes a percentage of the company’s credit card sales—typically 15 to 20 percent—until the advance amount is repaid. The value proposition for the merchant, according to Brown, includes several factors. Obtaining capital from RapidAdvance is faster than from a bank and the company does not require extensive documentation. “We typically don’t require

bank and financial statements or tax returns,” Brown says. “It’s a very straightforward, cash-flow based financing model.”

RapidAdvance also assumes all of the risk in the deal and does not tie up a merchant’s collateral in the process. “If their business has a slow period, we ride with them,” Brown says. “There are no fixed payment terms. In slower times we’re going to get paid back a little slower, and when times are good, we’re going to get paid back a little faster. It’s all based on estimates.”

## Solid Foundation

Cash advance is risky business, but Brown believes his company’s structure helps it stay secure—and differentiates it from competitors.

“Half of our executive team comes from the specialty finance realm; the other half comes from the credit card processing world, so we understand all sides of the equation,” he says.

Having that specialty finance orientation, though, means the company has an edge in underwriting and risk management. “We make smart investments and we believe in our merchants,” says Brown. “For the ISOs and acquirers we work with, and ultimately the merchants as well, that means that we’re consistent in the marketplace. We don’t switch from month to month to new underwriting standards, for instance—where one month we won’t take the same merchant we took the month before.”

That’s important, Brown says, because acquirers, ISOs, and even merchants like to know they’re dealing with a company that maintains consistent underwriting standards.

RapidAdvance also is consistent in another important area—financials. “We don’t have to worry about running out of money because of the way we’re financed, and our loss rates are staying within an acceptable range for the type of product we’re offering,” Brown notes.

Given the current economic climate, however, RapidAdvance’s competition is dwindling. “We’re seeing a number of our competitors struggle with losses that are higher than projected, and therefore their financing is being restricted,” he adds. “I’m sure that over the next 12 to 18 months, some of them will go out of business.”

But Brown doesn’t see the same thing happening to his company. “We’re smart business people,” he says. “And as long as we continue to be smart business people, I don’t see our fortunes changing.” **TT**

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