2026 BRIEFING

What a 2026 MCA file actually contains, and why refinance dies on the UCC

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The daily ACH already hit. A UCC-1 is of record. Someone is still pitching an SBA take-out as if June 2025 never happened. Your name is on a personal guarantee. Payroll is Friday.

That is the 2026 merchant cash advance file. This briefing is the public US rules and remittance mechanics that file actually contains. It is not a mill's percentage, a lawsuit playbook, or a statistical study.

St. Germain Strategy is a consulting firm. A dedicated team works US files. We advise. We do not lend, file, or hold your money. We do not stop ACH as the actor. First we try to refinance. Then we negotiate. Then we help you prepare a legal option with licensed counsel.

How this briefing was built

This briefing describes public, citable US commercial-finance rules and product mechanics that recur in merchant-cash-advance files. It is not a statistical study. St. Germain Strategy has not published a sample size, average stack, or holdback distribution for this briefing, and none is invented here.

Sources are primary where they exist: SBA SOP 50 10 8 (effective 1 June 2025) on 7(a) refinance of MCA and factoring; UCC Article 9 (Cornell LII official text) on financing-statement notice, first-to-file-or-perfect priority, and UCC-3 termination; IRS.gov on Form 1099-C and cancellation-of-debt reporting (quoted as public tax rules, not as advice and not as a finding that every MCA is debt); FTC and eCFR materials on MCA collection and on the consumer-only confession-of-judgment rule; and public industry descriptions of percentage holdback versus fixed ACH remittance.

No reliable public holdback-percentage range was found; remittance is described qualitatively. Confession-of-judgment, account-freeze, and personal-guarantee issues are flags to licensed counsel, not legal conclusions. Tax characterization of an MCA settlement is a CPA question. Canadian instruments are out of scope. Retrieved 28 August 2026. United States only.

The SBA exit ramp closed 1 June 2025

SBA SOP 50 10 8, Lender and Development Company Loan Programs, Version 8, is effective June 1, 2025. It replaced SOP 50 10 7.1. In four 7(a) chapters the SOP states, verbatim: "Merchant cash advances and factoring agreements are not eligible for refinancing." Those chapters are Standard 7(a) (loans greater than $350,000), 7(a) Small & SBA Express, Export Express, and International Trade.

Authority of record: https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs. deBanked Staff, 22 April 2025, quoted the same sentence for the same five delivery methods: https://debanked.com/2025/04/sba-places-restrictions-on-use-of-proceeds-to-refinance-merchant-cash-advances-and-factoring-agreements/

This is a use-of-proceeds / refinance bar, not a finding that carrying MCA paper makes a borrower ineligible for every SBA product. A 7(a) may still exist for other eligible uses. It is not, as of 1 June 2025, the MCA take-out tool for the programs that contain that sentence.

Two remittance mechanics (qualitative only)

Percentage / split / holdback: a stated share of card batches or receipts is diverted; dollar remittance moves with sales. The FTC, 5 January 2022, described MCA companies as providing funds in exchange for a percentage of revenue and typically making daily withdrawals from the business bank account until the obligation is met. SBA Office of Advocacy, August 2017: the periodic payment is frequently a predetermined share of periodic sales, so sales volume affects time-to-repay.

Fixed ACH: a set dollar amount debited daily or weekly; it does not automatically shrink on a slow day.

No holdback-percentage range is stated here. We do not stop ACH as the actor. Blocking the debit yourself can be a default.

Why refinance dies on the UCC

A blanket UCC-1 is notice against the business. That is often enough to kill a take-out conversation before underwriting starts. The Article 9 text, via Cornell LII, is the public rule set:

- UCC § 9-504: a financing statement may indicate that it covers all assets or all personal property.
- UCC § 9-108(c): a description of collateral as "all the debtor's assets" or "all the debtor's personal property" is not sufficient in the security agreement.

- UCC § 9-204: after-acquired property. A security agreement may create or provide for a security interest in after-acquired collateral.
- UCC § 9-322(a)(1): first-to-file-or-perfect. Conflicting perfected security interests rank according to priority in time of filing or perfection.
- UCC § 9-513(d): filing a UCC-3 termination statement causes the financing statement to cease to be effective. § 9-513(c): in the non-consumer-goods case, 20 days after an authenticated demand.
- UCC § 9-509(d)(2): a debtor filing path exists if the secured party of record has failed to file or send a termination statement as required. That path is a flag for licensed counsel. We do not file.

Stacking is a cash-cycle failure

No average stack size or frequencies are published here. Multiple simultaneous remittances can consume the same deposits. A consolidation MCA is still stacking: it adds another debit on the same cash cycle. It is not take-out.

CPA / bookkeeper one-pager: 1099-C

This is IRS reporting language, quoted as public tax rules. It is not tax advice and it is not a finding that every merchant cash advance is debt. Whether a particular MCA settlement is “debt” is a CPA question.

- File Form 1099-C for each debtor for whom you canceled a debt of $600 or more if you are an applicable entity and an identifiable event has occurred.
- IRS instructions: “Form 1099-C must be filed regardless of whether the debtor is required to report the debt as income.”
- “The debtor may be an individual, corporation, partnership, trust, estate, association, or company.”
- Identifiable event code F: a discharge under an agreement between the creditor and the debtor to cancel the debt at less than full consideration.
- Topic no. 432: if the lender subsequently cancels the obligation, you may be required to include the amount of the canceled debt in gross income.
- Topic no. 431 covers exclusions from canceled-debt income and Form 982. See also Publication 4681.

- A guarantor is not a 1099-C debtor. IRS instructions: you are not required to file Form 1099-C for a guarantor or surety, even if demand for payment is made to the guarantor.

Past advisory checklist

These are flags that the file is past advisory and belongs with licensed counsel: served complaint; account frozen or levy; confession of judgment entered; funder already in court.

The FTC, 5 January 2022, described MCA confessions of judgment as used to obtain uncontested judgments. 16 CFR Part 444 (the Credit Practices Rule) is consumer credit only. Do not read it as an FTC ban on commercial confessions of judgment.

Personal guarantee after LLC closes

This is operator education, not a statute cite, and not SBA Form 148 treated as MCA law. Closing the LLC does not automatically wipe a signed personal guarantee. The guarantee is a separate promise. LegalClarity's LLC/personal-guarantee article is an explainer, not a statute.

What to do instead

1. **Refinance.** First we try to refinance. Take-out replaces the MCA with a facility the cash flow can hold. Another merchant cash advance is not consolidation. As of 1 June 2025, SBA 7(a) is not that tool.
2. **Negotiate from a file.** If take-out is not available, we do not invent it. Next is a negotiation file: balances, ACH, UCC, personal guarantee, and what done has to look like.
3. **Prepare a legal option with licensed counsel.** Then we help you prepare a legal option with licensed counsel. We do not promise a percentage. We do not file.

Speak With Us

If the daily ACH already hit and a UCC-1 is of record, put the file on the table. We advise. We do not lend, file, or hold your money.

stgermainstrategy.com/contact

Sources

- SBA SOP 50 10: https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs
- Coleman Report PDF, SOP 50 10 8 effective 1 June 2025: https://colemanreport.com/wp-content/uploads/2025/04/SOP-50-10-8-effective-6.1.2025-Final.pdf
- deBanked Staff, 22 April 2025: https://debanked.com/2025/04/sba-places-restrictions-on-use-of-proceeds-to-refinance-merchant-cash-advances-and-factoring-agreements/
- Cornell LII UCC §§ 9-108, 9-204, 9-322, 9-504, 9-509, 9-513
- IRS Form 1099-C, Instructions i1099ac, Topics 431-432, Publication 4681, Form 982
- eCFR 16 CFR Part 444
- FTC press release, 5 January 2022; FTC RCG Advances first amended complaint
- SBA Office of Advocacy, August 2017, Interest Rates and Non-Bank Lending to Small Businesses
- LegalClarity explainer (not a statute): personal guarantee for an LLC
