FINANCE

Plaid gives lenders access to small business payroll data to speed emergency loan approval

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KEY POINTS

- Plaid, which is being acquired by Visa for $5.3 billion, is building a product that speeds the payroll portion of emergency loan applications from days to a matter of minutes.
- As part of the $2 trillion coronavirus stimulus bill signed last week, the U.S. government is facilitating at least $350 billion in loans to small businesses. Much of the payroll portion was being done manually.
- “Speeding up loan processing could mean the difference between a business and its employees surviving intact, or going bankrupt and adding to the skyrocketing unemployment,” says Plaid CEO Zach Perret.

Plaid co-founder and CEO Zach Perret.
Plaid

Start-up Plaid is looking to solve a pain point in the emergency loan process: Access to payroll data.

Small businesses looking to survive the coronavirus slowdown are rushing to apply for emergency government loans. But as a part of that process, they need to download their payroll data and share it with their bank, who then needs to verify and process the information and application. The process can take days or weeks, and is often done manually, according to Plaid.

Plaid, which is being acquired by Visa for $5.3 billion, is building a product that it says is facilitating at least $350 billion in loans to small businesses. The lending is being done through banks, although many non-bank lenders like Square and PayPal have lobbied to be included. Plaid said it has at least 100 lenders interested in the product — ranging from banks to fintech lenders and is in talks with payroll providers such as ADP and Gusto.

Last week, major banks complained of a lack of guidance to get systems up and running in the hours before the Thursday evening deadline. As a result, many said they were prioritizing existing customers. Plaid said this payroll product could help banks add newer customers who otherwise might take days to get their payroll paperwork before being approved.

Plaid's software, often referred to as the "plumbing" behind fintech companies, lets users connect their bank accounts to consumer applications like Venmo, mobile investing app Robinhood and cryptocurrency exchanges including Coinbase and Gemini. As of December, Plaid said one in four people in the United States with bank accounts have connected to the company through an app. Visa and rival Mastercard were early investors in the start-up, along with the venture arms of Citi and American Express.

"People need solutions that will make the road to recovery as straightforward as possible" Perret said. "Fintech can, and should be able to help."

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