



# Reducing portfolio risk by 30%

## With Plaid, Petal uses cash flow data to expand credit access

### Petal

“The cash flow data that customers make accessible through Plaid allows us to better manage credit risk. With a more complete financial picture, we’re able to evaluate individuals more accurately than traditional credit scoring alone...”

ROY SIMKHAY,  
VP of Product Management,  
Petal

#### Problem

Petal needed a way for people to share access to their financial data in order to perform cash flow underwriting.

#### Solution

Plaid helps credit applicants share their cash flow data, which Petal uses to underwrite credit cards and power other features.

#### Results with Plaid

Petal reports the following results with Plaid:

30%	Current-to-late roll rates for cardholders approved using cash flow underwriting (enabled by Plaid’s secure bank connections) are 30% lower than those underwritten by credit bureau data alone.
66%	Two-thirds of Petal members approved in the past year have connected a financial account using Plaid.

Fintech credit startup Petal pioneered the use of cash flow data to underwrite credit cards, which are issued by its bank partner WebBank (Member FDIC). That once-novel approach is now gaining steam among card issuers. For Roy Simkhay, VP of Product Management at Petal, the reason is clear: traditional credit scores offer an incomplete picture of creditworthiness.

“Your credit score really only looks at your usage of credit,” explains Simkhay. “It doesn’t look at your assets, your income, or the rest of your financial picture, all of which informs your creditworthiness.”

Founded in 2016, Petal makes credit cards accessible to people who are new to credit, including people without any previous credit history. From its earliest days, the New York-based company believed that cash flow data such as income and spending could be analyzed to paint a more accurate picture of someone’s creditworthiness. If this hypothesis proved true, it could help unlock access to credit for the 45 million Americans without a credit score.

But in order to perform cash flow underwriting, Petal needed a way for applicants to safely share their banking data. That’s when they turned to Plaid.

#### PLAID PRODUCTS

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# 66%

Two-thirds of Petal members approved in the past year have connected a financial account using Plaid.

**“Plaid makes the bank-connection step fast and easy, and that helps us deliver a great member experience.”**

**ROY SIMKHAY,**  
VP of Product Management,  
Petal

## Calculating risk using cash flow data

In the past year, just over a third of approved Petal members were prompted to connect their financial account during the application process, to provide a more current and comprehensive snapshot of their financial picture.

To connect their account with Plaid, applicants simply select their financial institution from a list and enter the associated username and password. Plaid can securely connect to more than 12,000 financial institutions around the world—often in a matter of seconds.

Once an account is connected, Petal feeds the applicant’s cash flow data into its proprietary algorithms, helping to evaluate creditworthiness and determine the appropriate interest rate and credit limit.

*“The cash flow data that customers make accessible through Plaid allows us to better manage credit risk,” explains Simkhay. “With a more complete financial picture, we’re able to evaluate individuals more accurately than traditional credit scoring alone and bring more people into the credit system.”*

Cash flow underwriting has been standard practice since the first Petal credit card launched in 2018. In fact, 35% of cardholders underwritten by Petal in the last 12 months have been approved using the technology.

But the value of cash flow underwriting extends beyond credit access. According to Petal, cardholders underwritten with cash flow data consistently outperform those underwritten with only credit-bureau data. In fact, the company reports that current-to-late roll rates for cardholders approved using Plaid-enabled cash flow underwriting are 30% lower than those underwritten by credit bureau data alone.

*“This is a validation of the big bet we made back in 2016,” says Simkhay. “And Plaid has been our partner in bringing it to life.”*

## Personalized recommendations help members build financial lives

Plaid-powered connectivity fuels other use cases at Petal as well. For example, once a Petal cardholder has linked a banking account using Plaid, they can use the Petal app to easily check their account balances, and make sure they have a sufficient bank balance before making a payment.

For Simkhay, it’s about helping cardholders make good financial decisions.

*“Our goal is to help people be successful, not just with a Petal card, but with their finances more broadly,” says Simkhay. “Once someone connects their financial account, we can show them how their spending fits into their overall financial picture.”*

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# 30%

With Plaid, current-to-late roll rates for cardholders approved using cash flow underwriting are 30% lower than those underwritten by credit bureau data alone.

Petal allows customers to connect their financial accounts with Plaid at different stages of the customer journey—and two-thirds of members approved in the past year have chosen to do so. The reasons are plentiful: to be considered for a credit limit increase or pay their credit card bill, just to name a few.

| *“Plaid makes the bank-connection step fast and easy, and that helps us deliver a great member experience,” says Simkhay.*

## Further expanding credit access

Building on its success, Petal announced an initiative last year to enable more organizations to benefit from cash flow underwriting.

Prism Data's API-based analytics platform allows other financial companies to use cash flow underwriting technology to further extend credit to the financially underserved. Prism takes an intelligent look at consumer bank account data and transforms it into a CashScore™ and a range of other data insights, which helps lenders and other organizations more accurately calculate credit risk.

For Simkhay, the new initiative stems from a common goal.

| *“Like us, Plaid is a mission-driven company, and together we’re making credit accessible to more people who need it.”*

**“Like us, Plaid is a mission-driven company, and together we’re making credit accessible to more people who need it.”**

| **ROY SIMKHAY,**  
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Plaid powers the digital finance solutions that enable millions of people to live healthier financial lives. Trusted by 6,000+ of the world's leading companies and connected to 12,000+ financial institutions across the US, Canada, UK, and Europe, Plaid's mission is to unlock financial freedom for everyone.

Ready to build the future of digital finance? Reach out to our sales team at [info@plaid.com](mailto:info@plaid.com).