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Choosing a Payroll API Provider Guide

Evaluating payroll API providers, much like other aspects of your business, can be a complicated and confusing process. Thankfully, this guide will help make that decision a little less stressful and allow you to be more confident that you made the right choice for your business needs.

Changing landscape of consumer data

Before we dive into evaluating different providers, it's important to understand the way consumer data, and its usage, is changing. The easiest way to explain some of the changes is thinking back to when you used to have to have two micro deposits into a bank account to verify it for another institution, to simply being able to use another provider to allow your data to flow freely between the two permissioned sources.
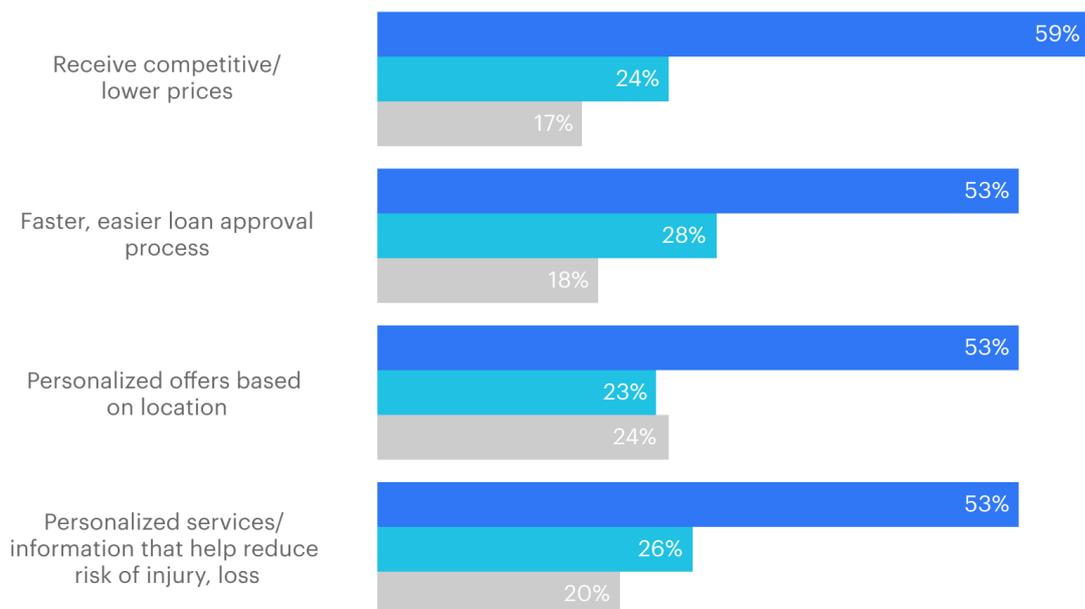
Financial institutions haven't always been so keen on this, however, and are only recently embracing it more given changing consumer expectations and demands. While JPMorgan, Capital One and many others have pushed back on data sharing, there are now more agreements between banks and financial data networks like Plaid and MX. We'll dive into the importance of how that data is accessed later, which has played a role in why larger financial institutions have been hesitant.

The power of this data and being able to efficiently digest it

While consumers have been hesitant to share personal information in many areas of their lives, they've been more willing to do so with financial services due to the benefits. It's not just connecting bank accounts, there are a slew of ways that consumer data is changing the financial service industry. Lending, insurance, financial planning and more. Take lending, for instance. By allowing lenders to easily access data on applicants, it makes life easier on the person applying for the loan (less paperwork), and it gives the lender more data than they might have had before (less risk). This is particularly important for people with little to no credit history. Or financial planning. By allowing a service to have access to all of your financial accounts, it can automate the process of tracking your income, expenses and give consumers the ability to better plan for their future.

Consumers Willingness To Share Data In Select Scenarios

Receive competitive/lower prices
- 59%
- 24%
- 17%

Faster, easier loan approval process
- 53%
- 28%
- 18%

Personalized offers based on location
- 53%
- 23%
- 24%

Personalized services/information that help reduce risk of injury, loss
- 53%
- 26%
- 20%

● Some and a lot ● A Little (Income Data) ● None

Much like Plaid and MX allowed consumers to make their bank transaction data available, there are new platforms giving financial companies access to payroll, insurance, credit and ERP data. These API providers are moving from a read-only modality to read-write, which gives rise to new use cases: credit APIs can provide data furnishing (read/write), in addition to credit monitoring (read only).

If we think of a consumer's balance sheet in the way we would a business's, then payroll is the "revenue" side of the equation. This data has only been visible to financial service providers in a peripheral way, where income data is harder to find unless you're the consumer's primary bank. Universal access to payroll data holds promise for lenders, neobanks, employers, tenant screeners, and B2B fintech companies in distinct and interesting ways.

So as consumer-permissioned income and employment verification services via Payroll API become more common, it is critical to find the right one for your business. When it comes to finding the right vendor to solve any business problem, the best teams usually consider three things: the return, the investment of money and time, and the risk. When choosing a consumer-permissioned income and employment verification service, you should consider:

- **Your return:** What's the success rate that you'll get when end users try to connect to each payroll provider?
- **Your investment:** The amount of time and money you'll have to invest in the implementation of the solution and how much you'll pay per transaction going forward
- **Your risk:** The provider's data and security governance procedures

Your Return

At Truv, we define success rate as the ratio of successful connections to the number of times Truv Bridge was requested to be presented to users.

The formula is: **Success rate = [# of successful connections / # of unique users]**

One of the biggest factors in success rate is coverage. Truv defines coverage as the number of end-users who can access their data via our platform, which is only limited by the number of payroll systems that Truv is integrated with. Payroll systems come in a variety of flavors and covers over 160 million people in the workforce: off-the-shelf payroll integrations (e.g. ADP, Paychex), white-labeled systems that require authentication via single sign-on, purpose-built systems (e.g. MyPay), home-grown systems (e.g. Walmart), gig companies, unemployment portals, and more.

Trying to figure out which payroll API provides the best coverage is similar to rating which car is the best; 'best' depends on what's important to you. To help prospective customers evaluate whether Truv could be a good coverage match for their business we offer a quick, Even if the payroll system is covered by a payroll API company, this does not guarantee that the user will be able to successfully connect their payroll account.

Your Walgreens account successfully connected
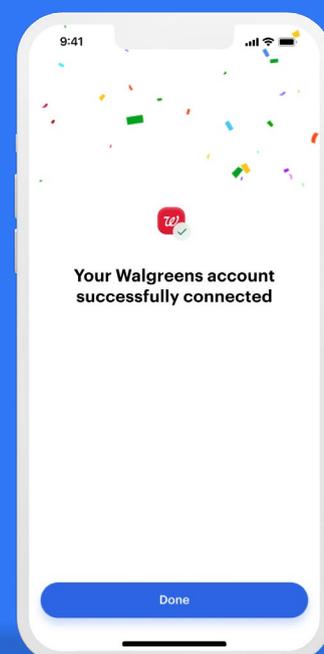
Your Investment

Adopting a new feature to a hectic roadmap can be difficult for many organizations, so having an easy-to-implement payroll API is critical.

To get a good effort estimate, ask your developers to go through the quickstart apps and getting started guides provided by a payroll API in their online documentation. Quality APIs should maintain up-to-date documentation and provide a testing environment for your developers.

When it comes to implementation, you'll want to work with a team that can create prototypes or show you how other companies have implemented payroll API solutions. If you're an enterprise customer, ask whether you will be assigned a dedicated engineer to assist you through the implementation process by answering questions and guiding you through the process. After the solution is successfully implemented, you'll continue to collaborate with your partner's team on an ongoing basis. Request a quick session with an existing client or review available case studies to evaluate what a post-launch experience would look like. Ideally, you'd want to find a partner who can provide post-launch marketing, engineering, and analytics support.

When looking at total cost of ownership, you should include both the initial investment and the ongoing costs of running the solution. Depending on your use case, payroll APIs may charge significantly different fees, and the total cost of ownership may be quite different.

The best method is to compare the cost per 1000 transactions over a twelve-month period. This way, you'll account for implementation costs, transaction costs, minimums, and ongoing monitoring fees.

We recommend requesting pricing broken down by category:

- Implementation cost (if any)
- Sum of minimum payments made over a 12-month period
- Total number of expected connections over the next twelve months multiplied by the cost per connection
- Total expected number of active connections over a twelve-month period multiplied by the cost per connection

Your Risk

We might be talking about this last, but it's far from the least important thing to consider. When it comes to payroll API risk, it is critical that personal data is encrypted in transit and at rest. This means that even if a data breach occurs, no one will be able to access the data in its raw, unencrypted form.

Furthermore, your production data should never leave the United States, so before allowing anyone access to the data, you should understand where it is stored and what protocols the payroll API has in place.

Finally, the payroll API should provide end-users with the appropriate disclosures regarding what data will be accessed and how data will be used and stored.

Instead of assessing all of the security and privacy risks yourself, it's a good idea to rely on security certifications such as SOC 2 Type II and review the reports associated with such certifications.

How that data is managed is equally important. Enterprise companies, for instance, must be able to delete data and credentials once they have been gathered by the payroll API and successfully downloaded to the service.

Although most payroll APIs have excellent tools, it's always a good idea to double-check that you can manage data and retain ownership of the data.

Selecting a provider

Selecting a payroll API-based income and employment verification solution for your business can be a confusing process. Benchmarking is a tool for comparing the performance of multiple vendors and understanding how an existing vendor is continuously improving to meet your goals. When considering a verification provider, it's important to focus on the right questions and benchmarks that matter for your business.

As more payroll API solutions come to market, it can be confusing to know how to assess the different providers. Especially when vendors use vanity or misleading metrics to obscure the ones you should actually care about. This blog will be your single resource for evaluating income and employment verification providers. We'll explain step-by-step what you need to know and the questions you need to ask to ensure you find the very best solution for your unique business.

Evaluate your business needs first

Ask yourself:

> Which industry segments are most important to me?

> Which companies do I need to be able to verify?

> What's an acceptable conversion rate?

And then evaluate vendors based on coverage and conversion rates against those industries and companies.

Example: If your business focuses on federal government employees, it doesn't matter the total number of integrations the provider has or its coverage of gig economy workers. Instead, focus on questions related to your target industries.

Questions to ask your vendors:

Q **What's your coverage of federal government employees?**

Why This question gives you visibility into coverage for the segment of the US workforce that matters to you.

Q **If I give you a list of the top 1000 federal government agencies that I need coverage for, can you tell me which ones you've been able to log into over the past 12 months?**

Why Companies change payroll providers frequently, and payroll providers are always updating their workflows. This question highlights how recently the provider logged into an employee's account.

Q **Do you have integrations with the payroll companies that support federal government employees?**

Why This question gives you visibility into how many relevant integrations the provider has with your target segment.

Q **What is your conversion rate of federal government employees?**

Why This question provides you with a benchmark for a minimum acceptable conversion rate for your verifications. **Conversion rate = Number of successful connections / Unique users**

Next, run a proof of concept test with a minimum acceptable conversion rate guarantee to ensure the vendor can actually achieve the benchmarks it promised.

Truv, who is focused on unlocking the power of consumer permissioned data, is committed to being a true partner and providing transparency with our benchmarks.

Check out Truv's benchmarks:

	Truv	Competitor A	Competitor B	Competitor C
Funding	$30M+	$50M+	$50M+	$50M+
Claimed Coverage	85%	75%	80%	75%
Integrations	9,200	300	1,500	450
Employers in Database	2,300,000	20,000	64,000	34,000
Employers Mapped to Payroll Providers	150,000	20,000	64,000	34,000
NASDAQ Coverage	62%	9%	35%	33%
University Coverage	45%	6%	34%	23%
Healthcare Coverage	60%	15%	25%	30%
Federal Government Coverage	96%	45%	60%	22%
Top 1,000 Private Companies Coverage	96%	73%	75%	60%

Understanding the quality of payroll integrations

All integrations are not created equal. The quality of integration makes a big difference. After connecting with the payroll provider, how many fields is your provider able to fill?

Fields related to user identity, employer, employment history, income, bank account information, and pay stubs. There can be hundreds of fields available from the payroll provider for a single applicant, so you need to know the fill rate

Fill rate percentage = Number of times the vendor successfully retrieves data for the field / Total number of times the vendor tries to retrieve data for the field

Why does this matter?

Let's use the example again of federal government employees. You've now asked the right questions as it relates to coverage and conversion rates. But a blended fill rate for the payroll providers that cover federal government employees determines if you'll get the information you need to complete the mortgage, loan, or background screen.

Fill rate questions to ask your vendors

Q **What is your fill rate for federal government employees?**

Why This question matters because it helps you determine the quality of the integration.

Q **What is your fill rate for [insert fields that matter to you?**

Why This question helps you determine if you will receive the data you need to sufficiently verify income and employment for your use case.

Next, provide a list of your top 1,000 employers that you see from your customers and have the payroll API provider provide you adjusted success rate and connection duration/speed to ensure the vendor can actually achieve the rates it promised.

Ensuring enterprise-grade security and privacy practices

The risk of a data breach is one that no financial institution wants to take. When it comes to consumer data, it's critical that vendors have enterprise-ready safeguards to protect this information.

Security and privacy questions to ask your vendors

Q **What security certifications do you have and can I review the auditor report?**

Why Security certifications make it easier for you to assess security and privacy risk rather than having to know every question to ask.

Q **What are your InfoSec best practices?**

Why This question helps you ensure the vendor is following certain protocols to protect the confidentiality, integrity, and availability of the data.

Reputation matters

Your's and that of any vendor you choose. Partnering with an income and employment verification provider is a long-term relationship. Before making a purchase decision, conduct some Google searches or read about your potential partner's reputation and prior industry experience.

CTA: Speak with a salesperson to learn more about Truv's benchmarks and fill rates for your specific target industry segment. Or download our sample RFP for payroll API-based income and employment verification providers to begin your evaluation.

Truv recently announced its $25 million Series A round led by Kleiner Perkins. Truv currently works with roughly 50 financial institutions including the top 5 mortgage lenders and background screening companies.

Evaluating APIs

There are several payroll API providers in the marketplace today, and one of the most important topics to financial institutions is how these providers address data security and privacy.

In general, there are two ways to access data from a payroll system. Historically, this data has been accessed via screen scraping in which credentials are shared, the user is impersonated by a computer, and information is pulled from the user's profile to be given back to the organization. However, a much more reliable and secure method of accessing data is via direct API connections in which the requested data is securely requested and accessed via an API from a payroll provider.

Here at Truv, 95% of our connections are made via direct APIs which enables us to ensure that these credentials are secure and can't be stolen or lost. Additionally, after the connection is successfully established, organizations can request that Truv's purges our system of all user credentials and information to ensure that your customers' credentials are safe.

Conclusions

There have been exciting developments in this space that can help your business, but it's critical that you carefully evaluate options before settling on a solution. Remember to focus on:

- Coverage for the area you'll be focusing on
- Costs, both for implementation and ongoing
- How data is accessed and stored
- Reputation and security certifications

Truv is one such company that offers a complete solution for businesses that need to offer financial products to broad segments of people with high accuracy and significantly lower costs than existing offerings. To learn more about Truv and talk to a team member to ask questions like those above, reach out!

Want to learn more about Truv's capabilities as a payroll API provider?
Contact us at sales@truv.com or visit our website at truv.com