

Grasshopper reduced manual reviews by 58% with Alloy

Alloy helps Grasshopper drive down the cost of fraud and expand into new markets while retaining a lean operation

Grasshopper is a digital bank serving small and medium businesses (SMBs), startups, and their investors. Established in 2019, Grasshopper has brought diverse financial products and services such as small business banking, startup banking, banking-as-a-service (BaaS), SBA lending, commercial real estate financing, and yacht lending to clients across 50 states. They are known for their cutting-edge, solutions-driven products built for the business and innovation economy.

At a glance

Industry

Business Banking

Company size

100+

Established

2019

Location

New York, NY

Funding

\$773 million



The Challenge

Grasshopper was ready to grow, but their existing fraud processes proved unscalable

In order to scale quickly, Grasshopper needed to streamline risk management across their platform, including in their primary area of focus: core deposits.

Because SMBs want the same CX as today's consumers, Grasshopper needed to create just the right amount of friction to keep fraudsters away, while maintaining a seamless experience for legitimate clients.

Additionally, manual application reviews intended to identify and prevent fraud are a lengthy process that occupies significant time and resources. At the time, as many as 20% of Grasshopper's incoming applications required a manual review.

Finding better ways to reject fraudulent applications upfront, before fraudsters even enter the platform, was imperative, but difficult because bad actors have become so sophisticated that fraudulent applications can sometimes appear even cleaner than regular identities.



The Solution

Grasshopper implemented Alloy to cut fraud loss and keep manual intervention down

In lieu of an in-house build, Grasshopper wanted a best-in-class fraud solution with a responsive customer service team. They needed a partner experienced in the specific needs of an all-digital bank and possessing the speed, agility, and client-first mentality to problem-solve with them. The ideal software provider would act as a strategic partner in innovation, working to build better fraud protection, compliance, and embedded finance products, while Grasshopper played to their own strengths.

Grasshopper decided that Alloy was the right choice for a scalable fraud solution that decreased manual reviews while lowering costs.

Grasshopper has been able to iterate more effectively, with approximately 150 changes made to their flow in the last year. This “plug-and-play” approach to data decisioning helps the Grasshopper team align on the best practices for achieving the right level of friction to suit their client experience goals and ideal risk appetite.

"Having the ability to modify the onboarding process for BaaS clients through the parent-child account structure is a game changer. My compliance team outlines the specific KYC requirements that we hold our clients to. Whenever they make changes, I can roll out version updates for every partner in our portfolio at once. This ensures compliance across the board, while allowing our clients to manage their own risk tolerance."

Teddy Gordon, Director of Data



The Outcome

As manual reviews fell from 20% to 8.5%, Grasshopper was able to grow its client base without adding new employees

Today, Grasshopper opens over 1,000 net new SMB and startup relationships a month through its digital direct banking platform. Not only has Grasshopper onboarded more clients to their digital banking platform, but they were able to shrink their manual reviews to 8.5%.

With Alloy’s help, Grasshopper was able to cut down on expenses by auto-denying fraudulent applicants before they reached the point of costly checks and minimize account closures and losses due to fraud. As fewer fraudsters bypassed their detection systems, Grasshopper was able to effectively reduce the cost per account closing.

In 2022, Grasshopper entered the embedded finance space through a partnership deal with Treasury Prime, another longtime customer of Alloy. Ultimately, Grasshopper is excited to tap into Alloy’s new embedded finance capabilities to optimize collaboration and streamline updates across their partner portfolio.

With a strong emphasis on fostering mutual growth through transparent and collaborative partnerships, Grasshopper’s team is well-positioned to sustain their growth trajectory, continue expanding into new verticals, and deliver an exceptional CX, all while keeping a step ahead of fraud.

800

new account openings per month

58%

reduction in manual reviews

