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March 5, 2020

The Honorable Charles P. Rettig
Commissioner of Internal Revenue
1111 Constitution Avenue, NW
Washington, D.C. 20024-0002

Dear Commissioner Rettig:

The Taxpayer First Act of 2019 included a provision, Section 2201, that requires the Internal Revenue Service to modernize its Income Verification Express Service (IVES) from the current antiquated fax-based system to an automated computer-based system, otherwise known as an application programming interface, or API. As you know, the IVES system is used by lenders, especially mortgage lenders, to confirm an applicant's income and is an important tool in the credit underwriting process. The IVES system helps to prevent fraud and ensure that borrowers have the ability to repay their loans.

The focus of this letter is to apprise you of recent efforts working closely with the private/public IVES Working Group, specifically of our most recent February 12, 2020 meeting, and to request an in-person meeting with you to discuss this issue.

Section 2201 will enable important improvements to the IRS IVES system that will benefit taxpayers and credit providers, including mortgage lenders, guarantors and investors.

During a credit transaction where income is being verified, a lender will typically request two or three transcripts, over a two- or three-year period, for a total of four to nine transcripts ordered per taxpayer. Since 2006, IVES has charged a \$2 user fee for each IRS transcript requested. On November 14, 2019 the IRS suggested that underwriting Section 2201 would require a \$1 fee increase per transcript. Then on December 23, 2019, the IRS, with no explanation, announced that the fee increase would not be \$1, but \$3. This revision led to the February 12, 2020 joint IVES Working Group meeting in Washington and is the subject of this letter. The main conclusions on our part were that:

1. The IRS should work with industry to scope this task. A robust product could be developed at a much more reasonable cost. Other federal agencies (such as the Social Security Administration) are undergoing similar API development projects which can be used as benchmarks for this effort; and
2. Start with a lower fee – a \$1 per transaction fee increase. Then, if additional resources are needed as the scope becomes more clear, we can work together to secure funding.

Letter to the Honorable Charles P. Rettig
Page Two

The purpose of the IVES Working Group was to work through issues like this, come to sensible solutions and move forward. Industry is very concerned that the 150% fee increase will unnecessarily:

1. Place an undue burden on lower income taxpayers already struggling to afford closing costs on mortgage loans, especially those in rural areas where housing prices are much lower than in coastal cities; and
2. Create an incentive for mortgage industry participants to use less expensive and less dependable technology alternatives that will likely have financial and risk-related consequences, damaging the overall economy.

We recognize IVES is a small, but very important part of IRS operations, and hope this letter will help avoid what we believe is an avoidable set of unintended consequences.

On a positive note, Section 2201 gives the IRS an opportunity to implement a modern system that could become a “gold standard” for credit providers needing to verify income at a competitive cost. Doing so would help taxpayers and lenders, prevent fraud, ensure that consumers have the ability to repay their loans and prevent degradation in the quality of the income verification process. In addition, the IRS also has the opportunity to set the standard for other government agencies that might be considering partnering with the private sector to enable data sharing, with appropriate safeguards and consumer consent.

Our industry executives and I request a meeting with you personally to discuss this important issue as soon as possible.

Thank you for your consideration of our request and please contact me at (202) 408-7416 if you have any questions.

Sincerely,



Francis Creighton
President & CEO

cc: The Honorable Chuck Grassley
The Honorable Ron Wyden
The Honorable Richard E. Neal
The Honorable Kevin Brady