

United States Senate

WASHINGTON, DC 20510

September 19, 2022

The Honorable Gene Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street NW
Washington DC 20548

Dear Comptroller General Dodaro:

We write to request a review of the Social Security Administration's standup and operation of the electronic Consent Based Social Security Number Verification (eCBSV) service.

Congress directed the SSA to establish eCBSV in 2018¹ in direct response to reports of skyrocketing synthetic identity fraud. The Federal Reserve defines synthetic identity fraud as "the use of a combination of personally identifiable information (PII) to fabricate a person or entity in order to commit a dishonest act for personal or financial gain." As noted in the Committee on Ways and Means report on H.R. 5192, "[ch]ildren and individuals with limited or non-existent credit histories are vulnerable to having their SSNs misused for a synthetic identity."² The Federal Reserve estimates that losses from synthetic identity fraud totaled \$20 billion in 2020 – with much of this fraud driven by the inability of financial institutions to determine whether a person applying for credit and other financial services is real.³

SSA's eCBSV enables financial institutions and their partners to stop synthetic identity fraud by verifying an individual's name, date of birth, and Social Security number against authoritative agency records. The eCBSV returns a "yes" or "no" response in addition to a death indicator if the individual is deceased. The Federal Reserve and many banking, cybercrime, and fraud experts have highlighted the importance of eCBSV as a critical tool to help financial institutions and others prevent synthetic identity theft.⁴

As required by law, the eCBSV system is completely supported by user fees. The initial fee structure ranged from a \$400 annual fee to an \$860,000 annual fee, depending on the volume of annual transactions.⁵ On January 14, 2022 the SSA released a new fee structure for the eCBSV that includes a considerable increase in cost to permitted entities starting in April 2022, increasing costs for some transaction volumes more than 14 times.⁶ According to the SSA staff, the increased fees are due in part to unexpected development and administrative costs. However, per the 2022 FRN, SSA anticipated total costs of \$50 million for 280 million transactions,

¹ Section 215 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, (Pub. L. No. 115-174).¹

² <https://www.congress.gov/115/crpt/hrpt636/CRPT-115hrpt636.pdf>

³ <https://fedpaymentsimprovement.org/synthetic-identity-fraud-mitigation-toolkit/>

⁴ <http://www.fedpaymentsimprovement.org/wp-content/uploads/frs-synthetic-identity-payments-fraud-white-paper-july-2020.pdf>

⁵ The full fee structure is at <https://www.ssa.gov/dataexchange/eCBSV/>.

⁶ <https://www.federalregister.gov/documents/2022/01/14/2022-00638/notice-of-open-enrollment-and-fee-increase-for-our-electronic-consent-based-social-security-number>

whereas in their earlier 2021 fee structure, SSA anticipated 1.1 billion transactions with a total cost of \$45 million.⁷

To fully realize the benefits of the eCBSV system and protect consumers from synthetic identity fraud, it is critical that SSA take steps to make the eCBSV program as efficient and cost-effective as possible. To that end, we request GAO initiate a review that evaluates the following:

1. What led to the cost overruns in the development of the eCBSV program, and could they have been avoided?
2. The sharp increases in eCBSV pricing seem to be driven by a need for SSA to collect additional fees to cover the cost overruns. How does the SSA ensure it collects the full cost from industry for the development and administration of this system? How was the window for cost neutrality determined?
3. What impact might SSA's price increases have on industry use of eCBSV?
4. Are there ways SSA could deliver more predictability to industry in terms of the timing and level of future price changes? Or engage with industry to gather more effective feedback on potential pricings changes and models? We believe it would be helpful for GAO to engage with industry users of eCBSV as part of this review.
5. Understanding that lower and more predictable prices will come with increased use of eCBSV – since fixed costs can be spread across a greater volume of transactions – can the SSA make the eCBSV service available to a wider array of users (including both private sector and other government agencies), absent legislation?
6. Are there ways that SSA could provide additional granularity in eCBSV response to financial institutions and their partners – for example, sharing which data elements matched or did not match, or sharing more details on how SSA utilizes “fuzzy logic” in eCBSV queries? Could such granularity improve use of eCBSV or its ability to help financial institutions weed out synthetic identity fraud?
7. Are there any non-price factors that are discouraging financial institutions from fully utilizing eCBSV? For example, is SSA's requirement to obtain separate consent from account applicants (rather than including consent in with other consent language tied to new credit applications) creating challenges with adoption in “instant credit” or digital environments?
8. As other government agencies look to establish similar identity validation services (as directed by OMB M-19-17),⁸ are there lessons learned they should keep in mind?

⁷ <https://www.federalregister.gov/documents/2020/11/30/2020-26292/agency-information-collection-activities-proposed-request>

⁸ <https://www.whitehouse.gov/wp-content/uploads/2019/05/M-19-17.pdf>

If you have any questions regarding this request, please contact Shayne Woods with Senator Scott at 202-224-6121 or Lincoln Foran with the Senate Finance Committee at 202-224-4515. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Scott", with a long horizontal flourish extending to the right.

Tim Scott
U.S. Senator

A handwritten signature in blue ink, appearing to read "Mike Crapo", with a long horizontal flourish extending to the right.

Mike Crapo
U.S. Senator