

IVES Working Group
Response to IRS Independent Cost Estimate Overview
Taxpayer First Act § 2201
April 28, 2020

Section 2201 of the Taxpayer First Act (PL 116-25) requires IRS to develop an automated system to receive third-party income verification forms. This system would replace the current inefficient, antiquated fax-based system. The provision also authorizes IRS to charge a separate user fee on qualified Income Verification Express Services (IVES) requests over a two-year period to fund the development of the new system.

Today's mortgage finance system depends on the integrity of the existing third-party income verification process, achieved through IVES. While underwriting loans, lenders using IVES verifications can be certain of an applicant's income. Disrupting this critical process will create outsized ripples across the US economy.

On March 27, 2020, IRS sent a one-page document, "Independent Cost Estimate Overview" outlining IRS' early solution concepts for automated request processing and regulatory compliance posture (the "one pager"). We greatly appreciate the insight this document has provided. In previous discussions, and through its implementation of a \$3 fee increase on qualified tax transcript requests, the nine bulleted items in the one pager would result in a \$72 million cost to construct the new automated IVES System.

Section 2201 specifies that Treasury:

shall implement a program to ensure that any qualified disclosure--
(1) is fully automated and accomplished through the internet; and
(2) is accomplished in as close to real-time as is practicable.

We strongly disagree with any IRS concept that does not improve and modernize the efficiency, security and reliability of the existing industry third-party income verification process. We do not support any concept that would discourage or prevent continued industry investment into IRS IVES, leaving the IVES program and the conversion to the API largely unfunded.

Many of the concepts in the one pager refer to internal IRS systems and we can only trust that these systems require the defined modernization to achieve the "automated" and "real-time as practicable" requirements.

We believe the fourth bulleted concept (see attachment) in the one pager is a departure from other internal modernization concepts and prescribes a future workflow that would be wholly incompatible with the existing industry third-party income verification process.

Industry is seeking ways to avoid any disruptions in ongoing use of IRS IVES and offers the following "win-win" objectives for industry and IRS IVES:

1. IRS and Industry collaborate to create a trusted IVES Verification Group (IVG). This industry group will adhere to mandated requirements, compliance, technology standards, code of conduct, reporting, auditing, etc.
2. IRS and industry work together to establish a modern API schema for the sole purpose of electronic communication of IVES transcript requests and response between select, trusted and known endpoints.
3. IRS and industry collaborate on best immediate handling of consumer authentication using the existing 4506-T.
4. IRS and IVG will work collaboratively over the next 2-years to implement IRS technology goals expressed within the March 27 document bullet points.

We believe this “win-win” solution will achieve all expressly stated goals of § 2201 of the Taxpayer First Act, make real improvements to the mortgage system and improve the security, fidelity and confidentiality of the taxpayer we both serve.

Mortgage industry technology leaders familiar with the scale and scope of large technology modernization efforts within disparate legacy systems believe with a very high-degree of confidence that, working together, a new IVES system can be developed within 12 months and at a cost not to exceed \$36 million.

We believe the next step would be to formally begin collaboration towards these technology, regulatory, timing and cost objectives.

**Provision 2201 Automated IVES
Independent Cost Estimate Overview
(IT input for potential W&I external communication)**

Streamlining the IRS Income Verification Express Service (IVES) to fully comply with Section 2201 of H.R. 3151 - Taxpayer First Act entails both building a new information technology platform to replace today's manual Form 4506-T Request for Transcript of Tax Return processing with a fully automated system that will greatly increase the speed of transcript delivery to lenders, and ensuring that the new system complies with both IRS security and privacy requirements and National Institute of Standards and Technology (NIST) Special Publication 800-63-3 Digital Identity Guidelines, which specifies identity proofing and authentication for users of government IT systems over open networks.

Today, IRS staff manually validate approximately 12 million paper Form 4506-T transcript requests per year against taxpayer data in IRS systems, the requests comprising some 33 million pages received on facsimile machines. After successfully validating the identity of the taxpayer requesting transcript release to a lender, the employee manually accesses an IRS system to order between one and four transcripts generated and delivered to a secure online repository for lender or participant access.

The streamlined process will begin with electronic 4506-T request input, proceed through systemic identity and data validation between systems without the delay injected by human interaction, and end with a system-to-system request for transcript generation and delivery in the case of successful request validation.

Components in the early solution concept of the new system related to both automated request processing and regulatory compliance posture include the following:

- Specification, design, custom development and testing of a new system that will validate request data against internal taxpayer data in multiple systems and generate transcript requests to an additional system
- Integration with existing and emerging identity proofing mechanisms to ensure that the taxpayer requesting a transcript is who they claim to be and that the request came from that individual
- Systems including Optical Character Recognition and Robotic Process Automation to deliver incremental transcript delivery time improvements while the fully-compliant system is being designed, built, tested and delivered
- Enhancement of IRS's Internet portal to serve as the front-end of the new system for the purposes of taxpayers submitting transcript requests and lenders receiving transcripts
- Enterprise data network augmentation to support additional traffic generated by electronic transcript requests and identity validation with identity token providers (emerging technology)
- Architecture, engineering and program management support to design and timely deliver a system that will achieve specified near-real-time transcript delivery after request, while integrating with the complex IRS information technology environment
- Security activities including design reviews, code reviews, penetration testing as required, and certification activities to validate that the emerging design and delivered system comply with IRS policies for protecting taxpayer identity and data
- Processing hardware, data storage and commercial off-the-shelf (COTS) software licenses to enable system capabilities for the current volume of transcript requests
- Integration support for COTS software

Detailed capability, requirement and design work are ongoing, and the solution concept will evolve into a design and system that considers these outcomes.