

The Honorable Janet Yellen  
Secretary  
U.S. Treasury  
Room 3330, Main Treasury  
Washington, DC 20220

The Honorable Charles P. Rettig  
Commissioner  
Internal Revenue Service  
Room 3000, 1111 Constitution Avenue, NW  
Washington, DC 20224-0002

The Honorable Richard Neal  
Chairman  
House Ways and Means Committee  
Room 1102, Longworth House Office Building  
Washington, DC 20515-6348

The Honorable Ron Wyden  
Chairman  
Senate Finance Committee  
Room 219, Dirksen Senate Office Building  
Washington, DC 20510-6200

The Honorable Kevin Brady  
Ranking Member  
House Ways and Means Committee  
Room 1102, Longworth House Office Building  
Washington, DC 20515-6348

The Honorable Mike Crapo  
Ranking Member  
Senate Finance Committee  
Room 219, Dirksen Senate Office Building  
Washington, DC 20510-6200

Dear Secretary Yellen and Commissioner Rettig:

Thank you for supporting America's small businesses throughout the COVID-19 pandemic and ensuring taxpayers dollars are protected from fraud, waste, and abuse. As you know, the Paycheck Protection Program (PPP) has exhausted funds ahead of the May 31 close of the program and the Small Business Administration has now opened the \$28.6 billion Restaurant Revitalization Fund and the \$15 billion Shuttered Venues Operator Grant Program. Additionally, The American Rescue Plan Act provided the U.S. Treasury \$10 billion to fund the State Small Business Credit Initiative (SSBCI) over the next nine years. Altogether, these programs will account for more than \$56 billion in additional direct relief beyond the \$780 billion in PPP funds and over \$200 billion in Emergency Injury Disaster Loan Program (EIDL) loans to American small businesses.

These vital programs require small business and sole proprietor applicants to provide their business tax returns to the SBA and/or lender to determine the eligibility and amount of funding businesses can receive. Currently, owners/operators provide copies of tax returns to the lender or Agency in non-standard document transfers (i.e. not directly furnished by the IRS) which limits the ability to guarantee document authenticity even with industry standards fraud checks in place. In fact, fraudulent and altered tax returns are one of the primary ways in which these programs can be defrauded. Fortunately, the Internal Revenue Service (IRS) has the tool, funding and authority granted by Congress to prevent this kind of fraud from occurring. However, the IRS has not prioritized the implementation of it or included any financial institutions such as banks, consumer or small business lenders in its IVES working group.

In 2019, Congress passed the Taxpayers First Act which included Section 2201 requiring the IRS to develop an automated system to receive third-party income verification forms (4506-T, now 4506-C). This system would replace the current system, which relies on semi-secure fax. The provision also authorizes the IRS to charge a separate user fee on all Income Verification Express Services (IVES) requests over a two-year period to fund the development of the new system.

The 4506-C form allows taxpayers to give their permission to the IRS to send a summarized transcript of their tax returns to an authorized third party (i.e. SBA or lender). The IRS already accepts e-signatures (since 2011) and already sends 4506-C tax data to 3rd parties online, although extremely limited. What is needed is the execution of the Taxpayers First Act and adoption of technology called Application Programming Interface (API) which are programs that instantly transfer data. An "API" could allow the IRS to send data to lenders, SBA, or other government agencies participating in aid programs such as HUD and Treasury, with taxpayer permissions instantly and securely, rather than waiting days or weeks for paper processing. Lenders use that data to verify that tax returns were not forged and verify financial information. If the 2-8 day delay were replaced by instant processing, tax data could also

be used in making instant, validated on the true identity of the applicant for verified credit decisions which would vastly expand access to and the speed in which Americans are able to access credit.

The federal government has already relied on APIs; lender interactions with the SBA for PPP were done through APIs, for example. Had the IRS implemented an API before the pandemic, most of the more than \$80 billion in alleged potential PPP and EIDL fraud identified by the SBA Inspector General could have been prevented. Additionally, if the API verification was available to all of the lending industry for consumer, mortgage and commercial lending, it would reduce the ever-increasing fraud seen in the auto industry and mortgage industry.

While the PPP is ending, it is not too late for the Biden-Harris Administration to prioritize the implementation of the 4506-C API so that the U.S. Government and lending institutions can prevent additional fraud and abuse for the additional \$56 billion in additional funding for current relief and grant programs such as the State Small Business Credit Initiative (SSBCI). Additionally, it will be an efficient verification tool to assist the loan process to allow consumers to meet purchase and sale contingencies with the fast and reliable verification of tax returns which lenders require for various loan types. Once the API is implemented, it becomes a permanent public utility that will facilitate advancements across the private and public lending industries which will expand access to and the speed in which Americans can access credit while preventing billions in fraud for years to come.

Sincerely,

#### **National Associations**

[Innovative Lending Platform Association](#) (ILPA)

Members: Funding Circle, A10 Capital, BFS Capital, Biz2Credit, BlueVine, Fundbox, Kabbage, Lendio, Mulligan Funding, OnDeck/Enova, Paynet/Equifax

[Consumer Bankers Association](#) (CBA)

[Electronic Transactions Association](#) (ETA)

[American Bankers Association](#) (ABA)

[Mid-Size Bank Coalition of America](#) (MBCA)

[Responsible Business Lending Coalition](#) (RBLC)

Members: Community Investment Management, Small Business Majority, Aspen Institute, Funding Circle, Opportunity Finance Network, Lending Club, Accion Opportunity Fund

[American Fintech Council](#) (AFC)

Members: Affirm, Avant, Cross River, Lending Club, Marlette Funding, Prosper, Sofi, Upstart, Varo

[Minority & Women Contractors & Developers Association](#) (MWCDA)

[National Association of Development Companies](#) (NADCO)

[Small Business Relief Council](#) (SBRC)

[Small Business Majority](#) (SBM)

#### **Organizations & Financial Institutions**

New York State CDFI Coalition

CAMEO - California Association for Micro Enterprise Opportunity

WSFS Bank

Bank OZK

CDC Small Business Finance Corp

Customers Bank

First Home Bank

Small Biz Silver Lining

Gusto

Cross River

Accion Opportunity Fund