



June 15, 2009

The Honorable Douglas Shulman
Commissioner, Internal Revenue Service
1111 Constitution Avenue
Washington, DC 20224

Dear Commissioner Shulman:

The Mortgage Bankers Association¹ (MBA) respectfully requests the Internal Revenue Service (IRS) to permit the use of electronic signatures (e-signatures) for IRS Form 4506, *Request for Copy of Tax Return*. This will reduce processing time for new mortgage applications, reduce borrower fraud, improve investor confidence in the underwriting of loans, and help restore the long-term viability of the secondary market for mortgage loans.

Background

Role of Form 4506 – Mortgage fraud perpetrated against residential mortgage bankers has grown exponentially over the past several years with significant consequences to lenders and consumers. Mortgage fraud is particularly costly to mortgage lenders due to the fact that, when fraud is discovered lenders are generally held fully accountable for the costs of such fraud through repurchase requests from investors or other actions. This cost ultimately raises the cost of borrowing for all consumers, because the fraud and repurchase risk gets priced into new mortgages.

One of the key sources of mortgage fraud is borrowers exaggerating the income that they put on their loan applications. One way mortgage lenders can quickly confirm the veracity of a borrower's true earnings is to confirm total earnings reported to the IRS. This serves as a detective control for mortgage lenders. The act of requesting that a taxpayer sign a Form 4506 also serves as a preventive control, making applicants more diligent in reporting income on the loan application.

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,400 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

As a result, many mortgage companies are requesting that all applicants fill out and sign Form 4506.

Trends Toward Automation of Mortgage Loan Application and Processing – Over the past 15 years there has been a trend toward automation of the loan application and underwriting process. Most lenders have automated processes that allow applicants to apply online and to supply information to the lender in an electronic fashion. Much of the processing is done by lenders using online processing and underwriting tools, and the ordering of appraisals, credit reports and verification of deposit balances is frequently done in automated, online processes. This automation benefits the consumer by making it easier to provide needed data to the lender, cutting the application to closing timetable, and reducing the costs incurred by the lender which are ultimately paid by the consumer.

e-signatures Controls – Most mortgage lenders who have automated the loan application process make use of electronic signatures for most other forms and consumer/lender interaction. The control mechanisms used conform with the Electronic Signatures in Global and National Commerce Act (ESIGN Act) passed by Congress and signed into law in October 2000. Accordingly, controls utilized to protect the consumer and confidential data include encryption of data sent over the Internet, tamper evident seals of e-signed documents, two-factor identity verification and other controls required under the ESIGN Act and industry custom.

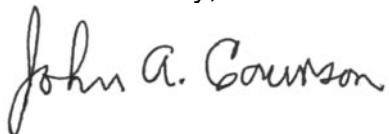
MBA's members would use such controls in the e-signature process and transmission for Form 4506.

Recommendation

In order to further the use of Form 4506 to prevent fraud on reporting applicant income in the loan application process, expand the automation of the mortgage lending process, and reduce the time required to process mortgage loan applications, MBA request that the IRS permit the use of e-signature on Form 4506.

We would be happy to meet with you to discuss this further. Any questions or response should be directed to Jim Gross, Associate Vice President and Staff Representative to MBA's Financial Management Committee, at (202) 557-2860 or jgross@mortgagebankers.org.

Most sincerely,



John A. Courson
President and Chief Executive Officer
Mortgage Bankers Association