

October 16, 2018

Nancy A. Berryhill  
Acting Commissioner  
Social Security Administration  
1100 West High Rise  
6401 Security Blvd  
Baltimore, MD 21235

Dear Ms. Berryhill,

I am writing to seek information on the Social Security Administration's (SSA) knowledge of security breaches in the Direct Express debit card program leading to hundreds of Americans becoming victims of fraud when their Social Security benefit payments - managed by Comerica - were stolen. Complaints from my constituents, confirmed by additional detailed reporting from *American Banker*, described Comerica's security weaknesses, mismanaged responses to data breaches, and the effect of inadequate customer service on Americans receiving SSA benefits. I am particularly concerned about SSA's partnership to distribute Social Security benefits with a financial institution that has not been fully transparent about the security breaches and subsequent fraud schemes that compromised Americans' federal benefits.

Your agency issues Social Security benefits through a partnership between the Department of Treasury, Comerica, and other financial agents. This partnership distributes monthly federal benefit payments on behalf of the Social Security Administration, the VA, and at least five other federal agencies.<sup>1</sup> Comerica has administered the Direct Express program since 2008 and provides prepaid debit cards that allow recipients without bank accounts to electronically access Social Security, disability, and other federal benefits, without relying on physical checks. Federal benefit recipients, including Americans receiving Social Security, are encouraged and recommended to use the Direct Express card. The Department of Treasury refers to Direct Express as the "Treasury-recommended Direct Express card."<sup>2</sup> On the Direct Express website, Direct Express states, "The U.S. Department of the Treasury encourages recipients to consider the Direct Express Card."<sup>3</sup> But according to reports "criminals .... stole Direct Express card numbers, addresses and three-digit card identifiers, enabling them to make fraudulent online purchases. In some cases, criminals also called Direct Express to report cards as lost or stolen, or to have PIN numbers changed, and had payments routed to MoneyGram locations where they could pick up a check and cash it."<sup>4</sup> This theft denied the intended recipients of government benefits vital resources.

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<sup>1</sup> Government Accountability Office, "Revenue Collections and Payments: Treasury Has Used Financial Agents in Evolving Ways but Could Improve Transparency," January 2017, pp. 11-12, <https://www.gao.gov/assets/690/682274.pdf>; Direct Express, "Frequently Asked Questions," <https://www.usdirectexpress.com/faq.html>.

<sup>2</sup> Go Direct, "The Direct Express Card," <https://fiscal.treasury.gov/godirect/social-security-federal-benefits-direct-deposit/directexpress/index.html>

<sup>3</sup> Direct Express, "Frequently Asked Questions," <https://www.usdirectexpress.com/faq.html>.

<sup>4</sup> American Banker, "Comerica scrambles to address fraud in prepaid benefits program," Kate Berry, August 26, 2018, <https://www.americanbanker.com/news/comerica-scrambles-to-address-fraud-in-prepaid-benefits-program>

Comerica has also publicly confirmed numerous instances where fraudsters obtained card numbers, addresses, and PIN numbers, allowing them to take advantage of the company's Cardless Benefit Access Service, which was shut down in August 2018 after this series of fraud cases.<sup>5</sup> This service feature was intended to allow Direct Express cardholders to withdraw funds if they had lost their Direct Express card. But according to reports, in hundreds of cases, individuals used the stolen data to impersonate benefit recipients, made fraudulent purchases, and drained the prepaid cards of the federal benefits. These schemes were reported to have potentially been aided by Comerica insiders, such as call center employees and third-party card manufacturers, and Comerica confirmed at least one employee at a Direct Express call center has been fired.<sup>6</sup>

The Direct Express program serves 4.5 million Americans and their families, including thousands of veterans and some of our country's most vulnerable citizens, including older Americans and Americans with disabilities. These individuals rely on Direct Express's services to access their federal benefits to keep a roof over their head, put food on the table, and pay for their medications. While Comerica claims the fraudulent schemes impacted "only a few hundred cardholders," any interruption in accessing these basic living expenses could have devastating consequences for those receiving social security benefits - and the breaches in question appeared to be significant enough to cause the discontinuation of the program.

The report also raises questions about how your company reacted to security breaches and responded to customers who were harmed. Cardholders, including disabled veterans and family members of elderly and disabled relatives, who were not notified of the fraud scheme, spent months disputing fraudulent charges, or were charged fees to reissue and activate new cards after the fraud was discovered. For example, when Marine Corps veteran Kenneth Tillman of Colorado went to the pharmacy in August 2018 to buy medicine, the combat veteran suffering from post-traumatic stress disorder discovered his Direct Express card had a zero balance – caused by fraudulent charges on the card. Direct Express suspended the account, but then refused to issue Mr. Tillman a credit for the \$750 in Social Security disability benefits, informing him it would take 90 days to receive a reimbursement. Likewise, Paul Katynski, a disabled maintenance supervisor, struggled with Direct Express after almost \$2,000 in disability benefits was drained from his account as a result of fraud in February 2018. Jackie Densmore, a caregiver for her brother-in-law Derek who is a disabled Marine Corps veteran, experienced similar issues when Derek's \$814 in disability payments were fraudulently wired to Florida. She maintains that Direct Express never contacted her or Derek to confirm the benefits could be sent to a MoneyGram in another state. She claims "Direct Express didn't put up a red flag, even though they had all the information about the money being wired to Florida, when we live in Massachusetts, but they just sent the money."<sup>7</sup> These are highly disturbing reports, particularly regarding a company that is receiving taxpayer dollars to effectively provide essential services for vulnerable families.

In addition, the Consumer Financial Protection Bureau (CFPB) and to the Better Business Bureau (BBB) have received dozens of complaints about Direct Express, particularly regarding the company's treatment of cardholders impacted by fraud and other consumer issues. Since 2015, there have been 132 complaints on the CFPB Consumer Complaint Database, and 526 complaints

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<sup>5</sup> American Banker, "Comerica scrambles to address fraud in prepaid benefits program," Kate Berry, August 26, 2018, <https://www.americanbanker.com/news/comerica-scrambles-to-address-fraud-in-prepaid-benefits-program>

<sup>6</sup> American Banker, "Comerica scrambles to address fraud in prepaid benefits program," Kate Berry, August 26, 2018, <https://www.americanbanker.com/news/comerica-scrambles-to-address-fraud-in-prepaid-benefits-program>

<sup>7</sup> American Banker, "Comerica scrambles to address fraud in prepaid benefits program," Kate Berry, August 26, 2018, <https://www.americanbanker.com/news/comerica-scrambles-to-address-fraud-in-prepaid-benefits-program>

filed with the Better Business Bureau related to Direct Express.<sup>8</sup> There have been at least 15 complaints on the CFPB Consumer Complaint Database and 21 complaints to BBB describing situations similar to the fraud victims described above. And there are many more that reveal allegations of cardholders who were unable to reach a live person, were hung up on, or were given misleading information by Comerica.<sup>9</sup> The Better Business Bureau gave Direct Express an “F” rating, describing on the BBB website a “Pattern of Complaint” for Direct Express based on consumer allegations of, “fraudulent charges [that] go unacknowledged and unresolved.” According to BBB, “Consumers also allege that ... customer service is unresponsive and does not resolve their issues. Furthermore, Consumers allege fraudulent charges are not refunded, even after disputes are filed and approved.”<sup>10</sup>

The Bureau of the Fiscal Service within the Department of Treasury is reportedly working with the Treasury’s Office of Inspector General (“OIG”) to investigate the card fraud and other consumer concerns.<sup>11</sup> In June, the OIG announced they would be performing a follow-up audit of the program to determine if Comerica has implemented any of the 14 recommendations issued in OIG audits from 2014 and 2017. *American Banker* reported that the government contract to oversee Direct Express was renewed in 2014, despite criticism on Direct Express’s operations contained in the OIG audits.<sup>12</sup> I, along with my Senate colleagues, have expressed concern for several years regarding fraudulently stolen benefits and the lack of transparency into your company’s Direct Express program.<sup>13</sup> These security breaches and recent fraud schemes yet again raise questions of Comerica’s management of a program that millions of Americans depend on for their livelihood. Americans deserve information about the breaches, what your agency is doing to help those impacted, how you are going to protect federal benefit recipients from future fraud, and why your agency continues to work with Comerica’s Direct Express program in light of the program’s deficiencies.

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<sup>8</sup> A search was conducted on October 9, 2018 on the Consumer Financial Protection Bureau Consumer Complaint Database search for “Direct Express” filtered by Company Name “Comerica,” [https://www.consumerfinance.gov/data-research/consumer-complaints/search/?company=Comerica&from=0&has\\_narrative=true&searchField=all&searchText=Direct%20Express&size=25&sort=created\\_date\\_desc](https://www.consumerfinance.gov/data-research/consumer-complaints/search/?company=Comerica&from=0&has_narrative=true&searchField=all&searchText=Direct%20Express&size=25&sort=created_date_desc); Better Business Bureau, “U.S. Direct Express,” <https://www.bbb.org/us/tx/san-antonio/profile/payment-processing-services/u-s-direct-express-0825-90068910>

<sup>9</sup> A search was conducted on October 9, 2018 on the Consumer Financial Protection Bureau Consumer Complaint Database search for “Direct Express” filtered by Company Name “Comerica,” [https://www.consumerfinance.gov/data-research/consumer-complaints/search/?company=Comerica&from=0&has\\_narrative=true&searchField=all&searchText=Direct%20Express&size=25&sort=created\\_date\\_desc](https://www.consumerfinance.gov/data-research/consumer-complaints/search/?company=Comerica&from=0&has_narrative=true&searchField=all&searchText=Direct%20Express&size=25&sort=created_date_desc)

<sup>10</sup> Better Business Bureau, “U.S. Direct Express,” <https://www.bbb.org/us/tx/san-antonio/profile/payment-processing-services/u-s-direct-express-0825-90068910>

<sup>11</sup> *American Banker*, “Comerica scrambles to address fraud in prepaid benefits program,” Kate Berry, August 26, 2018, <https://www.americanbanker.com/news/comerica-scrambles-to-address-fraud-in-prepaid-benefits-program>


<sup>12</sup> *American Banker*, “Comerica scrambles to address fraud in prepaid benefits program,” Kate Berry, August 26, 2018, <https://www.americanbanker.com/news/comerica-scrambles-to-address-fraud-in-prepaid-benefits-program>; Department of Treasury, Office of Inspector General, “Fiscal Service Needs to Improve Program Management of Direct Express,” March 26, 2014, <https://www.treasury.gov/about/organizational-structure/ig/Audit%20Reports%20and%20Testimonies/OIG-14-031.pdf>; Department of Treasury, Office of Inspector General, “Direct Express Bid Evaluation Documentation Requires Improvement,” January 24, 2017, <https://www.treasury.gov/about/organizational-structure/ig/Audit%20Reports%20and%20Testimonies/OIG-17-034.pdf>.

<sup>13</sup> Letter from Senator Elizabeth Warren, Senator Bill Nelson, and Senator Susan Collins to Secretary of the Treasury Jacob J. Lew, December 9, 2014, <https://www.documentcloud.org/documents/1937042-nelson-to-lew-120914.html>; Letter from Senator Orrin Hatch to Secretary of the Treasury Jacob J. Lew, January 22, 2015, <https://www.documentcloud.org/documents/1937051-hatch-to-lew-012215.html>

To better understand your relationship with Direct Express and why your agency is partnered with a company whose security breaches led to at least hundreds of Americans becoming victims of fraud schemes as a result, please answer the following questions by October 30, 2018:

1. How many Americans receive their Social Security benefits through the Direct Express program? What is the total value of Social Security benefits issued through Direct Express cards?
2. Was SSA aware of any security breaches in the Direct Express card program or at Comerica?
  - a. If yes, please summarize a timeline of these cases including:
    - i. When was the first case of a security breach reported to SSA?
    - ii. How many cases were reported in each month through August 2018?
3. How many individuals' SSA benefits were affected by the Direct Express Cardless Benefit Access Service-related fraud cases?
4. What is the total value of all Social Security fraud related to this program?
  - a. What is the dollar amount of social security benefits that have been stolen but have not yet been fraudulently used or not yet flagged for fraudulent activity?
5. What percentage of Social Security recipients who were impacted by the fraud schemes have received their funds back? What was the average amount of time these individuals waited after to receive their funds back? How many of these individuals had to wait more than one week? More than two weeks? More than one month?
6. While Comerica confirmed there was a security breach that led to hundreds of Direct Express card holders receiving Social Security benefits being defrauded, your agency has not released a warning to the public or published a notice directly addressing these issues on your website. Who was involved in making the decision not to issue a public statement or notice addressing the security breaches and fraud schemes?

Sincerely,



Elizabeth Warren  
United States Senator

cc:

The Honorable Steven Mnuchin  
Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220