

October 16, 2018

Ralph W. Babb, Jr.  
Chairman and Chief Executive Officer  
Comerica Bank  
Comerica Bank Tower  
1717 Main Street  
Dallas, Texas 75201

Dear Mr. Babb,

I am writing to seek information regarding security breaches in Comerica's Direct Express debit card program which led to hundreds of Americans becoming victims of fraud when their Social Security, disability, or other federal benefit payments were stolen. This program was managed by Comerica via the now discontinued Direct Express Cardless Benefit Access Service. Complaints from my constituents, confirmed by detailed reporting in the *American Banker*, described your company's security vulnerabilities, your mismanaged responses to data breaches, and your misleading and cruel customer service tactics when harmed consumers sought help. I am particularly concerned about the lack of transparency about the security breaches and subsequent fraud schemes that compromised Americans' federal benefits.

The Department of Treasury partners with Comerica and other financial agents to distribute 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, and other federal benefits, without relying on physical checks. 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>2</sup> This theft denied intended recipients government benefits of vital resources.

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>3</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

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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> 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>3</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>

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>4</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 your services to access their federal benefits to keep a roof over their head, put food on the table, and pay for medication. 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 federal 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, were reportedly 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>5</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 the Better Business Bureau (BBB) have received dozens of complaints about Direct Express, particularly regarding your company's treatment of cardholders impacted by fraud and other consumer issues. Since 2015, there have been 131 complaints on the CFPB Consumer Complaint Database, and 526 complaints filed with the Better Business Bureau related to Direct Express.<sup>6</sup> There have been at least 15 complaints to CFPB and 21 complaints to BBB describing situations similar to the fraud victims described above. And there are many more allegations from cardholders who were unable to reach

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<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>

<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> 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>

a live person, were hung up on, or were given misleading information by Comerica.<sup>7</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>8</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>9</sup> In June, the OIG announced they would be performing a follow-up audit of the Direct Express program to determine if your company 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>10</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>11</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 you are doing to help those impacted, and how you are going to protect federal benefit recipients from future fraud.

To better understand how your company is preventing and addressing security breaches that led to at least hundreds of Americans becoming victims of fraud schemes, please respond to the following questions by October 30, 2018:

1. How many cases of Direct Express Cardless Benefit Access Service-related fraud is Comerica aware of?
2. How many individuals were affected by these cases?
  - a. How many individuals receiving services from each government program utilizing the Card Benefit Access Service were affected?
3. What was the total value of all fraud related to this program?

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<sup>7</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>8</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>9</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>10</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>](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>11</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>

- a. What is the dollar amount of the federal benefits that have been stolen but have not yet been fraudulently used or not yet flagged for fraudulent activity? Please provide this information for each type of benefit. For example, give the amount of dollars of Social Security benefits veterans' benefits, etc. that are at risk.
  - b. What is the dollar amount of the federal benefits that have been stolen via fraudulent activity? Please provide this information for each type of benefit. For example, give the amount of dollars of Social Security benefits veterans' benefits, etc. that have been stolen.
4. Please provide a summary of the timeline of these cases, including:
  - a. When was the first case of fraud reported to Comerica?
  - b. How many cases were reported in each month through August 2018?
5. In the *American Banker* article, Comerica spokeswoman Nora Arpin is reported to have revealed that the cardholder data used to commit the fraud schemes was acquired from prior security breaches. When did Comerica become aware that the cardholder data may have been compromised?
6. How was the cardholder data used to commit fraud compromised?
7. According to *American Banker*, Ms. Arpin stated that ““only a few hundred cardholders’, were affected, or just 0.13% of Direct Express’ 4.5 million prepaid debit cardholders.”
  - a. Is the estimation of 0.13% of Direct Express prepaid cardholders accurate?
  - b. What is the exact number of cardholders that were impacted?
8. What percentage of cardholders impacted by the fraud schemes have received full reimbursements for the funds that were stolen? What was the average amount of time these individuals waited to receive those reimbursements after contacting Comerica? How many of these individuals had to wait more than one week? More than two weeks? More than one month?
9. What security measures does your company have in place to prevent fraud? What steps does your company take when suspected fraudulent activity occurs or is reported by customers or employees?
  - a. Are cardholders contacted when there is suspected fraudulent activity? If so, how?
  - b. What is the process for fraud victims to receive the benefits owed to them?
  - c. What is the average time period it takes for the impacted cardholders to receive the benefits owed to them?
10. Are there fees associated with activating or issuing new cards to the legitimate card holders who were defrauded? How many impacted cardholders were charged a fee for activating or having a new card issued because of your company’s security breaches?
11. *American Banker* reported that Comerica has initiated an investigation into the fraud. Please provide details regarding this investigation, including:
  - a. Who is leading that investigation?
  - b. When did the investigation begin?

- c. Has any information from the investigation been referred over to law enforcement?
  - d. Has your investigation determined the cause of the security breaches? If so, please describe the cause.
  - e. Has your investigation determined the source(s) of the fraud schemes? If so, please describe the source(s).
12. While Comerica confirmed there was a security breach that led to hundreds of Direct Express card holders being defrauded, it 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?
13. Has there been any investigation into whether the security breach has impacted other Direct Express services outside of the Cardless Benefit Access Service? If so, what were the results of that investigation?
14. To what extent have federal agencies, such as the Department of Treasury, the Social Security Administration, or Department of Veterans, been involved in investigating fraud, preventing it in the future, or returning funds to defrauded beneficiaries? Please explain that involvement.
15. Please described the terms of your contract(s) with the United States Government, including costs and timeline.

Sincerely,



Elizabeth Warren  
United States Senator