Congress of the United States
Washington, DC 20510

March 9, 2015

Mr. Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Dear Mr. Cordray:

Your reply to our December 15, 2015 letter regarding the Consumer Financial Protection Bureau's ("CFPB") online Social Security planner was regrettably inadequate and unresponsive. Unfortunately, you attempted to resolve only one of the problems we identified, and failed to answer most of our questions.

While you acknowledge the problems with the CFPB's planner, you claim that they "did not undermine the intended purpose of the tool, which is to show users the impact of their claiming age decision." Nevertheless, it is unacceptable that the agency charged with protecting consumers continues to provide inaccurate and misleading information regarding what the Bureau considers "one of the most important decisions of their lives."

You have described the Bureau as one of the most accountable agencies in the government. And yet, you have failed to fully answer our questions or address the numerous errors in the CFPB planner despite our urging you to do so. Let us be clear, accountability in this instance can be demonstrated by fully answering our questions and correcting the inaccuracies created by your planner.

For your convenience, we have attached a list of issues outlined in our previous letter that have not been addressed as of the date of this letter. We hope that your immediate attention to these issues will provide more reliable information to Congress and ultimately to American consumers.

Sincerely,

Richard Shelby
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate

Michael B. Enzi
Chairman
Committee on the Budget
United States Senate

Attachment: Unresolved Issues

The CFPB has failed to fully address any of the errors and inconsistencies with its Social Security retirement planner discussed in our letter written December 15, 2015. The discrepancies we identified in that letter were by no means exhaustive. By identifying selected problems, we had hoped the CFPB would have taken the opportunity to carefully review the planner's calculations and results.

While the most obvious problem of displaying benefits for previous years has been fixed, the problem of retroactive benefits has not been fully resolved. For users ages 62 through 65, the planner still computes annual benefits for the current year as the monthly amount multiplied by twelve, regardless of the user's actual birth month. Consumers who turn 62 in January will be told their annual benefit is twelve times the monthly amount even if they wait until December to use the planner.

The CFPB methodology for adjusting the SSA's benefit amount after the Full Retirement Age (FRA) is also flawed. Consumers who choose to delay retirement beyond the FRA are eligible for delayed retirement credits. But these credits are generally not available until January of the following year. The CFPB planner incorrectly applies the credit in the current year and computes monthly and annualized amounts on that basis.

The CFBP planner always displays the wrong amount for users who chose any retirement age other than the full retirement age. While the SSA calculator assumes that users remain employed until the year prior to retirement, the CFPB planner adjusts the amount provided by SSA for age but not earnings. This method has the effect of displaying higher benefits for users who retire at 62, because they receive credit for wages earned from 62 through the user's FRA and displaying lower benefits for consumers who retire at 70, because they are denied credit for wages earned from FRA through 69.

Despite the justification given in the CFPB's letter, the planner provides a misleading description: "Remember, claiming age here refers only to your Social Security retirement benefit, and not when you decide to stop working or apply for Medicare." This warning implies that the amount of the user's benefit is determined by the date they are claimed and not by the user's actual retirement date. However, Social Security benefits are based on annual earnings, and due to the retirement earnings limit, highly dependent on when individuals stop working.

Finally, the planner displays cumulative benefits from the specified retirement age (62-70) through age 85. This calculation is intended to show users the impact of their claiming age decision. But as every informed financial advisor knows, a dollar in the present is worth more than a dollar in the future. The CFPB planner accounts for neither the time value of money nor the risk of mortality. Without such adjustments, it provides a flawed and misleading comparison of "lifetime" benefits.