



Postal Banking: Know the Facts

What is Postal Banking?

Postal Banking is simply the provision of financial services via the Postal Service. The Campaign for Postal Banking is calling for low-cost, consumer-driven products and services that could range from check cashing to bill payment to savings accounts to small-dollar loans. Postal Banking will benefit consumers who do not have access to traditional banks as well as those who would prefer a more public option. Postal services in 139 countries around the world offer some form of financial services. And the expansion of services will also strengthen our public Postal Service. Postal Banking will:

- Serve individuals underserved by traditional banks who turn to the expensive and predatory practices of the Alternative Financial Services industry;
- Promote an economy that serves the people, not Wall Street; and
- Strengthen and protect a vibrant public institution mandated to provide universal and affordable service.

Is Postal Banking a New Idea?

No. The United States had a [Postal Savings System](#) from 1911-1967 which in 1947 had \$3.4 billion in assets (more than \$35 billion in today's dollars) or about 10 percent of the entire commercial banking system. And worldwide, 1.5 billion people¹ receive some financial services through their postal service. Postal unions in the United States have been calling for postal banking for years. But the idea got a big boost in January 2014 when the USPS Office of Inspector General issued its report, *Providing Non-Bank Financial Services for the Underserved*.²

Who Supports Postal Banking?

The Campaign for Postal Banking is a [coalition](#) of consumer, labor, financial reform, and community groups. Senators Elizabeth Warren (D-MA) and Bernie Sanders (I-VT) along with the U.S. Conference of Mayors³ have voiced their support. Nobel Prize-winning economist Joseph Stiglitz included a call for a postal savings bank in his report, *Rewriting the Rules of the American Economy*.⁴

Senator Warren, champion of financial reform, writes:

“Banks are rapidly abandoning low-income and rural neighborhoods. ... Luckily, there is an organization with the public mission, the infrastructure, the experience and the well-trained employees needed to help address this problem: the U.S. Postal Service. ... The Postal Service already has a presence in low-income and rural communities, and it could leverage that infrastructure to provide access to lower-cost basic banking services.”⁵

Who Needs Postal Banking?

In the United States, one in 13 (7.7%) households is unbanked, or without a bank account. And one in five households is underbanked, defined as having a bank account but also using alternative financial services. An astounding one in four households (27.7%) is at least partially outside the financial mainstream, or underserved by traditional banks.⁶

Who Are the Underserved?

The underserved have an average annual income of \$25,500⁷ and are more likely to be African-American (53.6% are underserved), Latino (46.8% are underserved), and/or young and are disproportionately located in the South and in urban areas. And 57% are employed.⁸

Why Don't Banks Fill this Need?

The banking industry has changed. The number of bank branches in the United States is declining and low-income neighborhoods have been hardest hit. Since 2008, 93% of those closings have been in neighborhoods with a median income below the national average.⁹

In addition, according to an annual survey by the FDIC, only 43% of banks actively develop products and services for the underserved.¹⁰ And many of the services that are available are increasingly expensive. For example, overdraft fees have increased 32 percent since 2010 at the nation's twelve largest banks.¹¹ These types of fees and the requirement of a minimum balance to open an account keep underserved consumers away from traditional banks.

What financial services are available to underserved consumers?

The \$100 billion a year Alternative Financial Services (AFS) industry has flooded the communities where the underserved live with products, services and practices that are expensive and often predatory. Each year, the average underserved household spends \$2,412 – nearly 10 percent of gross income – in fees and interest for alternative financial services.¹² That's \$200 a month just to access your own money. And studies show that most households filing for bankruptcy are just \$26/month away from meeting expenses.¹³ As United for a Fair Economy puts it, "Each year, over \$103 billion is stripped from these people and their communities and ends up in the hands of Wall Street. For the underserved, there is little opportunity to create a credit history, have access to affordable, safe and sustainable financial services, or build assets over time."¹⁴

The AFS industry includes:

- Check cashing services
- Payday lenders
- Auto title loans
- Pawn shops
- Rent-to-own stores
- Tax refund anticipation loans

The most visible alternative financial service is the payday loan with more locations (22,000) than McDonalds or Starbucks. "Poor Americans no longer live check to check: they live loan to loan, with no end in sight," writes Sarah Kendzior.¹⁵

Payday Loans: Fast Facts

- Each year, 12 million borrowers spend more than \$7 billion on payday loans.¹⁶
- The typical interest rate on a payday loan is 391% APR.¹⁷
- 80% of payday loans roll over at 14 days – they are not paid off as intended by the next payday.¹⁸
- Typical fees at rollover are 15% of the loan¹⁹
- Payday loan borrowers are in debt an average of five months/year²⁰

See [National People's Action \(NPA\)](#) for more facts on payday lending and what NPA is doing to curb the abuses.

Paying to Access Your Pay and Benefits – ATMs as Alternative Financial Services

Increasingly, employers are moving from paper check to payroll card to pay workers.

- 4.1 million workers are paid with a payroll card.²¹

- ATM fees average \$2.77 per transaction, resulting in workers spending \$40 to \$50 a month to access their own pay.²²

Banking for the People, Not for Wall Street

The disclosures of wrongdoing and the subsequent bailout of big banks after the 2008 financial crisis led to widespread anger at and plummeting public confidence in big banks. As a result, the interest in alternatives to traditional banks has increased. Campaigns such as “Move Our Money” encouraged people to end their financial relationships with big banks and move their money to credit unions and community banks. In October 2011 alone, credit unions gained 650,000 new customers and \$4.5 billion was move out of major banks.²³ Postal banking can offer another non-profit option for these consumers.

Check out the important work of [Americans for Financial Reform](#), [Public Citizen](#), and [United for a Fair Economy](#) for more information on alternatives to big banks and reforming our financial system.

What makes the USPS a Good Solution?

Consumers want and need access to affordable financial services. The US Postal Service is in a unique position to offer basic financial services for the following reasons:

- Location (every community across the country)
- Trusted and Well-Liked
- Already offer financial services
- Mandate to serve the public

USPS: Location

The USPS, with more than 30,000 retail locations, is the world’s largest retail network. Here’s how that compares with other large retail networks:

- Walmart = 5,163 stores²⁴
- Starbucks = 11,962 stores²⁵
- Payday lenders = 22,000 locations²⁶

And many of those post offices are located in bank deserts. Fifty-nine percent of post offices are in zip codes with either zero banks (38%) or only one bank branch (21%).²⁷ The Postal Service is geographically well-positioned to reach people with little-to-no access to retail banking services.

USPS: Public Trust and Confidence

- Americans rank the USPS highest among all federal agencies with more than 70% of those polled saying it does an excellent or good job.
- Millennials love the USPS the most! According to a November 2014 Gallup poll, the age group that ranks the USPS highest is 18-29 year-olds, at 81%.²⁸
- Compare confidence in the USPS with confidence in:
 - Payday lenders: 18%²⁹
 - Banks: 26%³⁰
 - USPS: 68%³¹

USPS: Mandate for Universal, Affordable Service

The USPS is legally obligated to serve all Americans, regardless of geography, at uniform price and quality: “The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by Act of Congress, and supported by the people. ... It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities.”³² The USPS is prohibited from making certain decisions based on profit, e.g. closing a post office solely for financial reasons.

The Postal Service isn't in business to make a profit. Its purpose is to serve the American people. This is in stark contrast to the predatory practices of upselling products and selling under unclear terms and conditions associated with alternative financial services such as payday lending.

USPS: Financial Services Offered Now

- Money orders – 95 million paper money orders worth \$21 billion and 70% of the market³³
- International paper and electronic money orders
- Cashing of treasury checks
- Gift cards

USPS: Security

Tampering with the U.S. mail is a federal offense. The sanctity of the mail is safeguarded by the Postal Inspection Service which investigates postal-related crimes, such as identity theft, mail bombs, postal robberies, and burglaries.

USPS: Skilled Workforce

USPS window clerks processed 500 million money order transactions over the past five years at a face value of \$110 billion. That adds up to 378,000 money orders per day in 2014.³⁴ Clerks receive extensive training, including certification with annual renewal under the Bank Secrecy Act. In addition, all Postal workers take the federal employee oath of office to support and defend the Constitution.

USPS: We've Done It Before

The Postal Savings System operated from 1911 through 1966, accepting savings deposits guaranteed through the full faith and credit of the United States. By 1947, postal banks had \$3.4 billion in assets or about 10 percent of the entire commercial banking system. [[read more](#)]

USPS: They Do It Everywhere Else

Posts around the world successfully offer financial services resulting higher rates of financial inclusion as well as revenue for the post office.

- 1.5 billion consumers worldwide³⁵
- 14.5% of postal revenue on average in industrialized countries in 2012³⁶

Examples of International Postal Banks³⁷

- New Zealand's Kiwi Bank was created in 2002 to counter the growing trend of Australian mega-banks which by 2001 controlled 80% of New Zealand's retail banking, with profit going abroad and branches closing. With the help of a Move Your Money campaign, out of a population of 4 million, the KiwiBank attracted 500,000 customers in its first five years.
- Japan Post Bank is the largest publicly owned bank in the world and is the holder of one-fifth of the nation's debt.
- Customers of India's postal bank opened 30 million new postal savings accounts in 2012.³⁸
- In Italy, 80% of the postal service's revenue comes from financial services, with 5.8 million customer accounts.³⁹
- La Poste in France offers an account, called the "Livret A", with no opening fee, a very low initial deposit requirement (about \$2), and affordable services and features.⁴⁰

What Financial Products and Services Could the USPS Offer?

International Money Transfers

In 2012, more than \$123 billion in remittances were sent from the United States to more than 140 countries.⁴¹ The USPS processed a small percentage of those transactions via paper and electronic international money orders. Currently, USPS paper money orders are accepted in 28 countries.⁴² The

electronic service, Dinero Seguro/Sure Money, has nine participating countries and is available at 2,800 post office locations.⁴³

Of the ten countries receiving the most remittances from the United States (Mexico, China, and India are the top three), the USPS paper money order serves only two (El Salvador and Dominican Republic). The electronic service serves an additional two (Mexico and Guatemala) for a total of four of those 10 countries. The USPS does not offer services to China, India, Philippines, or South Korea, for example.

The USPS can expand and enhance its international money transfers:

- Replace Dinero Seguro, the current electronic international money transfer system, with the Universal Postal Union (UPU)'s International Financial System (IFS) which operates in 70 countries.⁴⁴ The software and infrastructure already exists.
- Work with the Postal Service's current remittance provider to expand the Dinero Seguro offering to additional countries; or
- Implement a combination of the UPU system and expansion of Dinero Seguro.
- Expand availability of Dinero Seguro to additional post offices – the infrastructure already exists.
- Establish customer accounts for IMTs similar to the Sure Money "frequent customer" card which:
 - Streamline customer identification/use (reduce filling out forms).
 - Facilitate storage of remittance amounts so a larger amount can be sent at a lower fee (rather than multiple small transactions).

Money Transfer and Bill Pay

The USPS currently has 70 percent of the paper money order market. This service can be enhanced and modernized by adding an electronic Money Order service, including:

- Post to Post electronic domestic money order (one possibility is the UPU domestic service).
 - Bill payment via electronic money order.
 - Add money transfer for Mobile devices, also available through the UPU.

General Purpose Reloadable Cards

- Offer USPS-branded Postal Cards at all Post Offices across the country.
- Include features that provide no-fee upload of tax refunds, payroll, and government benefit payments.
- Allow customers to log into their online Postal Service prepaid card account to check balances, transfer funds, pay bills, and so on. A smartphone app could allow customers to load paper checks onto their card by taking a picture of the checks with their phone.

Check Cashing

- Expand check cashing capability beyond U.S. Treasury checks.

Automated Teller Machines (ATMs)

- Install low-fee ATMs in Post Office lobbies and offer no-fee transactions to Postal Card customers.
- Access to cash would further facilitate the purchase of postal products and services.

Partnerships to Provide Services to Executive Agencies

- Explore with government agencies the provision of benefits and payments such as Social Security benefits or IRS refunds via a General Purpose Reloadable Card – Postal Card.
- Explore with government agencies providing a service to "cash" Electronic Benefit Transfers for recipients of government benefits.
- Work with government agencies including the Federal Deposit Insurance Corporation (for example, their Money Smart Program⁴⁵) and the Consumer Financial Protection Bureau to provide consumer education regarding financial services available at post office locations.

- Explore the UPU's system for transfer of U.S. government pension benefits both internationally and domestically.

Savings Services

- Explore adding a component to the Postal Card to offer an interest-bearing savings feature.

Small-Dollar Loans

- Explore adding a component to the Postal Card to offer small-dollar loans to customers who participate in automatic deposit of paychecks or government payments.

Isn't the Postal Service in Financial Trouble?

Despite headlines announcing that the USPS has lost billions of dollars, the Postal Service isn't broke. To be more precise, it isn't losing money sorting and delivering mail. The USPS financial crisis is a manufactured one – a pretext for cutting service and paving the path to privatization.

The fundamental cause of USPS financial difficulties is a provision in the 2006 Postal Accountability and Enhancement Act (PAEA), which requires the Postal Service to make payments *no other public or private entity must make*: The USPS is required to fully pre-fund future retiree health benefits 75 years in advance over a 10-year period – at a cost of approximately \$5.5 billion per year. The Postal Service's "losses" are the result of the pre-funding requirement.

If not for that requirement, the Postal Service would have done quite well financially over the last few years. The Postal Service's operating profit for the first half of fiscal year 2015 was more than \$1.4 billion – more than all of 2014's operating profit.⁴⁶ For more on Postal Service finances, see the [National Association of Letter Carriers Economics Blog](#).

Hasn't the Postal Service Become Irrelevant?

Not at all. Despite what you may have heard, the Internet isn't making the world's largest postal system irrelevant. Some First-Class mail has declined (though the decline is much less in some parts of the country)⁴⁷, but online shopping and e-commerce are causing an explosion in package volume. Americans are using the U.S. Postal Service to receive medicine, goods ordered online, local newspapers, catalogues, bills and newsletters. In fact, the Postal Service delivers an average of 2.2 million packages for FedEx every day – approximately 30% of FedEx's total U.S. ground volume.⁴⁸

Isn't the Postal Service Prohibited from Introducing New Products?

Yes, and No. Congress hamstrung the USPS in a number of significant ways with the 2006 passage of the Postal Accountability and Enhancement Act. The Act allows postal services such as delivery of letters, packages, etc. or "other functions ancillary thereto," which includes money orders, international transfers, and gift cards.

The **Campaign for Postal Banking** believes that the USPS can act immediately to expand and enhance existing products and services for the following reasons:

- Many of the proposed financial services listed above are enhancements to or modernization of existing services or are ancillary to postal services.
- The USPS Office of Inspector General indicated that most of the services listed above could be implemented under existing regulatory authority.
- The USPS market test of gift cards won approval for expansion from the Postal Regulatory Commission in August of 2014.

Campaign for Postal Banking: Our Call to Action

The USPS should act now -- We don't need to wait for an Act of Congress.

- Expand and enhance existing services such as check cashing and international money transfers.
- Design and implement market tests for new services and products.
- Create a Task Force to facilitate public participation in the assessment of community needs (via field hearings, for example) and implementation of financial services and products. The Task Force will include unions, financial reform and community groups, and credit unions and community banks.

Sources

- ¹ Universal Postal Union, <http://www.upu.int/en/activities/financial-inclusion/about-financial-inclusion.html>
- ² Office of Inspector General, USPS, [Providing Non-Bank Financial Services for the Underserved](#), January 27, 2014.
- ³ http://www.usmayors.org/resolutions/82nd_Conference/metro07.asp
- ⁴ [Rewriting the Rules of the American Economy](#)
- ⁵ "The Big Benefits of Postal Banking," Elizabeth Warren, [US News and World Report](#), July 7, 2014.
- ⁶ [2013 FDIC National Survey of Unbanked and Underbanked Households](#).
- ⁷ Based on 34 million households, earning an average of \$25,500 per year, spending a total of \$82 billion in 2011. KPMG, [Serving the Underserved Market](#), 2011, p. 1 and Center for Financial Services Innovation, [2012 Financially Underserved Market Size Study](#), December 2013, p. 1.
- ⁸ [2013 FDIC National Survey of Unbanked and Underbanked Households](#).
- ⁹ Nelson D. Schwartz, "Bank Closings Tilt Toward Poor Areas," [The New York Times](#), Feb. 22, 2011 and David Hayes, et al, "Banks Follow the Money and Exit Lower-Income Areas," [SNL Financial](#), April 27, 2012. Frank Bass and Dakin Campbell, "Predator Targets Hit as Banks Shut Branches Amid Profits," [Bloomberg](#), May 2, 2013.
- ¹⁰ Federal Deposit Insurance Corporation (FDIC), [2011 FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked](#), 2012, p. 4.
- ¹¹ "Why Banks at Wal-Mart Are Among America's Top Fee Collectors," Mark Maremont and Tom McGinty, [Wall Street Journal](#), May 11, 2014.
- ¹² Based on 34 million households, earning an average of \$25,500 per year, spending a total of \$82 billion in 2011. KPMG, [Serving the Underserved Market, 2011](#), p. 1 and Center for Financial Services Innovation, [Financially Underserved Market Size Study 2012](#), December 2013.
- ¹³ Office of Inspector General, USPS, [Providing Non-Bank Financial Services for the Underserved](#), January 27, 2014.
- ¹⁴ [State of the Dream 2015: Underbanked and Overcharged](#), United for a Fair Economy, January 2015.
- ¹⁵ "The US payday loan crisis: borrow \$100 to make ends meet, owe 36 times that sum," [The Guardian](#), May 9, 2015.
- ¹⁶ Payday Lending in America: Who Borrows, Where They Borrow, and Why, [The Pew Charitable Trusts](#), July 19, 2012.
- ¹⁷ Payday Lending in America: Who Borrows, Where They Borrow, and Why, [The Pew Charitable Trusts](#), July 19, 2012.
- ¹⁸ [CFPB Data Point: Payday Lending](#), CFPB Office of Research, March 2014.
- ¹⁹ [CFPB Data Point: Payday Lending](#), CFPB Office of Research, March 2014.
- ²⁰ Payday Lending in America: Report 2. [How Borrowers Choose and Repay Payday Loans](#), The Pew Charitable Trusts, February 2013.
- ²¹ "Paid via Card, Workers Feel Sting of Fees," Jessica Silver-Greenburg and Stephanie Clifford, [The New York Times](#), June 30, 2013.
- ²² Parrish, Leslie. "Consumers Want Informed Choice on Overdraft Fees and Banking Options." [Center for Responsible Lending](#), April 16, 2008.
- ²³ "Guess How Much Money Angry Customers Moved Out of Banks in Support of Bank Transfer Day," Linette Lopez, [Business Insider](#), November 7, 2011.
- ²⁴ Wal Mart Stores Inc [Form 10-K](#), Fiscal Year 2015, p. 127.
- ²⁵ Starbucks [2014 Annual Report](#), pp. 4, 6.
- ²⁶ Center for Responsible Lending, [Fast Facts-Payday Loans](#).
- ²⁷ [Federal Deposit Insurance Corporation, FDIC 2013 Summary of Deposits](#); Postal Service facilities database, as cited in Office of Inspector General, USPS, [Providing Non-Bank Financial Services for the Underserved](#), January 27, 2014.

-
- ²⁸ “Americans Rate Postal Service Highest of 13 Major Agencies,” Steve Ander and Art Swift, [Gallup](#), November 21, 2014.
- ²⁹ Poll Results: Post Office Bank, [YouGov](#), February 10, 2014.
- ³⁰ [Americans’ Confidence in Banks Up for First Time in Years](#), Gallup, Dennis Jacobe, June 13, 2013.
- ³¹ Atym, United States Postal Service Brand Survey, April 21, 2012, as cited in Office of Inspector General, USPS, [Providing Non-Bank Financial Services for the Underserved](#), January 27, 2014.
- ³² 39 U.S. Code § 101 - Postal policy <https://www.law.cornell.edu/uscode/text/39/101>
- ³³ U.S. Postal Service Office of Inspector General (OIG), Digital Currency: Opportunities for the Postal Service, RARC-WP-12-001, October 3, 2011, p. 31 as cited in Office of Inspector General, USPS, [Providing Non-Bank Financial Services for the Underserved](#), January 27, 2014.
- ³⁴ “Postal Money Orders Processed by the Federal Reserve,” [Board of Governors of the Federal Reserve System](#), February 18, 2014.
- ³⁵ Universal Postal Union, [About Financial Services](#).
- ³⁶ Universal Postal Union, [Development Strategies for the Postal Sector: An Economic Perspective](#), 2013.
- ³⁷ “Saving the Post Office: The Models of Kiwibank and Japan Post,” Ellen Brown, [webofdebt.com](#), January 9, 2012.
- ³⁸ Universal Postal Union, [2013 Global Forum on Financial Inclusion for Development](#).
- ³⁹ Canadian Centre for Policy Alternatives, Why Canada Needs Postal Banking as cited in Office of Inspector General, USPS, [Providing Non-Bank Financial Services for the Underserved](#), January 27, 2014.
- ⁴⁰ [La Banque Postale](#) (in French).
- ⁴¹ [Remittance Flows Worldwide in 2012](#). Pew Research Center. February 20, 2014.
- ⁴² United States Postal Service, International Mail Manual, [370: International Money Transfer Services](#).
- ⁴³ United States Postal Service, International Mail Manual, [372: Sure Money](#).
- ⁴⁴ Universal Postal Union, [About Financial Services](#).
- ⁴⁵ Federal Deposit Insurance Corporation, [Money Smart – A Financial Education Program](#).
- ⁴⁶ National Association of Letter Carriers, [The Postal Service’s Fiscal Year, So Far](#), May 10, 2015.
- ⁴⁷ USPS OIG, [“Declines in Postal Service Mail Volume Vary Widely Across the U.S.”](#)
- ⁴⁸ “For FedEx and UPS, a Cheaper Route: the Post Office, Laura Steven, [Wall Street Journal](#), August 4, 2014.