

**The United States Conference of Mayors
82nd Annual Meeting
Dallas, TX**

**IN SUPPORT OF "POSTAL BANKING" TO PROVIDE A LOW-COST NATIONWIDE
ALTERNATIVE TO PAYDAY LENDERS**

WHEREAS, 76% of American families live "paycheck to paycheck" with little or no savings for emergencies, as found by a BankRate.com study (2014); and

WHEREAS, nearly 25 million US workers earn less than \$10.10 an hour-itself below poverty level for a single mother working 35 hours per week to support two children; and

WHEREAS, approximately 12 million people turn to small-dollar, short-term "payday loans" to make ends meet or cover emergency expenses, according to the Pew Charitable Trusts (2012); and

WHEREAS, payday borrowers typically have no cash cushion, no savings, poor or no credit, and nowhere else to turn but payday lenders and other such financial predators; and

WHEREAS, these predators charge exorbitant fees and usurious interest that result in effective annual percentage rates (APRs) averaging nearly 400%, also according to Pew; and

WHEREAS, such predatory fees and interest total, on average, \$520 on a typical \$375 loan; and

WHEREAS, such predators impose rules designed to entrap desperate borrowers, such as loan terms averaging 14-17 days, according to a Milken Institute report (2014); and

WHEREAS, the typical payday borrower is trapped for at least seven debt cycles on a given loan, staying indebted at high cost for more than half the year, according to Consumer Financial Protection Bureau (CFPB) data (2013); and

WHEREAS, the excessive portion of predatory charges totals nearly \$2,190 per payday borrower per year, based on data cited by the Office of the Inspector General (OIG) of the United States Postal Service (USPS), an amount that is:

- equal to more than a full month's hard-earned wages for the working poor, or
- nearly equal to a poverty-level family's average annual food budget, or
- more than 93% of the average Earned Income Tax Credit (EITC), designed by Congress to assist lower-income working families and not to be taken by financial predators; and

WHEREAS, excessive costs of "alternative financial services"-including, and especially, costs of payday loans and reloadable money cards on which unbanked and under-banked people commonly rely-totaled approximately \$80 billion in 2012 and was anticipated to rise by approximately 10.5% In 2013, according to data cited by the USPS Office of Inspector General; and

WHEREAS, returning said \$80 billion per year to the control of people from whom it is taken, would enable said individuals and families to better care for their own needs; and

WHEREAS, returning to said people essentially a full month of their own wages, would result in substantial positive impacts, such as:

- easing demand on services provided by local nonprofits and on tax-supported public services; and
- substantially reducing the need to rely on payday borrowing, and
- potentially generating more than \$3 billion in additional sales tax revenues with no rate increase; and

WHEREAS, payday lenders and other such financial predators are therefore effectively 'stealing' tax revenue from municipalities; and

WHEREAS, most municipalities and states have neither prohibited nor tightly constrained payday lending and related practices because such actions would hurt the working poor and low-income retirees by leaving them with virtually no access to small but urgent loans; and

WHEREAS, no effective nationwide solution is currently in place to consistently provide such loans and related financial services at low cost; and

WHEREAS, the conventional banking industry has experimented with affordable financial products and services geared to poverty-level customers, but has generally failed to provide effective nationwide solutions; and

WHEREAS, market forces have prompted banks to generally abandon the poor, for example by shuttering more than 2,200 branches in 2012 alone, mostly in low-income neighborhoods (thereby creating "bank deserts") while opening new branches in higher-income neighborhoods; and

WHEREAS, the USPS Office of Inspector General proposed on January 27, 2014 that the USPS could sustainably provide low-income workers and retirees with payday loans at less than one-tenth the cost imposed by predators-e.g., a \$48 cost instead of \$520 on a \$375 loan-as well as low-cost reloadable money cards and related low-cost financial services (collectively and generally referred to as "postal banking"); and

WHEREAS, nearly 60% of America's 30,000+ US Post Offices are located in "bank deserts," i.e., zip codes having zero or only one bank branch,

NOW, THEREFORE, BE IT RESOLVED, that The United States Conference of Mayors (USCM) does hereby support the aims and goals of the USPS OIG's proposal to establish postal banking, thereby enabling the only consistent nationwide alternative to payday predators; and

BE IT FURTHER RESOLVED, that with said alternative in place, municipalities and states can then prohibit or severely restrict payday lending and other such predatory practices without hurting low-income people; and

BE IT FURTHER RESOLVED, that said action would reduce demands on both charitable and tax-supported services to the poor while increasing municipal tax revenues with no rate increases.

Projected Cost: Unknown

RESOLUTION ADOPTED JUNE 2014