
Back to the Future – Postal Banking in the United States

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Background on U.S. Postal Service

- **Manufactured financial crisis + electronic substitution + political dysfunction = Crisis for Postal Service**
- **Largest, but least diversified post in world**
- **Legal constraints: Non-postal services restricted**



Background on U.S. Postal Service

- **Unions united: Reinvent post office for 21st century to serve unmet needs, help solve national problems**
 - E-commerce: warehouse services, recycling centers, last mile delivery
 - Repurposed post offices – state and local government services, local delivery hubs
 - Universal vote by mail
 - Postal banking and bill paying services



Postal Service – A Long Banking History

- **Postal Savings System: Post Offices offered banking services, 1911 -1967**
 - **Postal banking gained popularity after bank failures in the 1930's, targeted low-income homes, immigrants**
 - **Deposits peaked in 1947 with \$3.4 billion in deposits from more than 4 million customers**
 - **Deposits fell to \$416 million by 1964 as banks gained popularity with higher interest rates & government guarantees on deposits**
 - **Private banks lobbied to end system, closed in 1967**



Political challenges



- **Wall Street opposition: Finance industry has 1,500 lobbyists in Washington**
- **Banking money in U.S. politics**
 - No. 1 source of campaign contributions – both parties
 - U.S. Supreme Court: “Money is speech”
- **Near-term strategies**
 - Non-bank financial services using existing authority
 - Seek consensus for Infrastructure Bank
- **Long-term goal: universal postal banking**

Promise of postal banking

- **Key problems that the Postal Service could address**
 - Domestic financial exclusion and the high cost of transfers and remittances
 - Financing for infrastructure investment



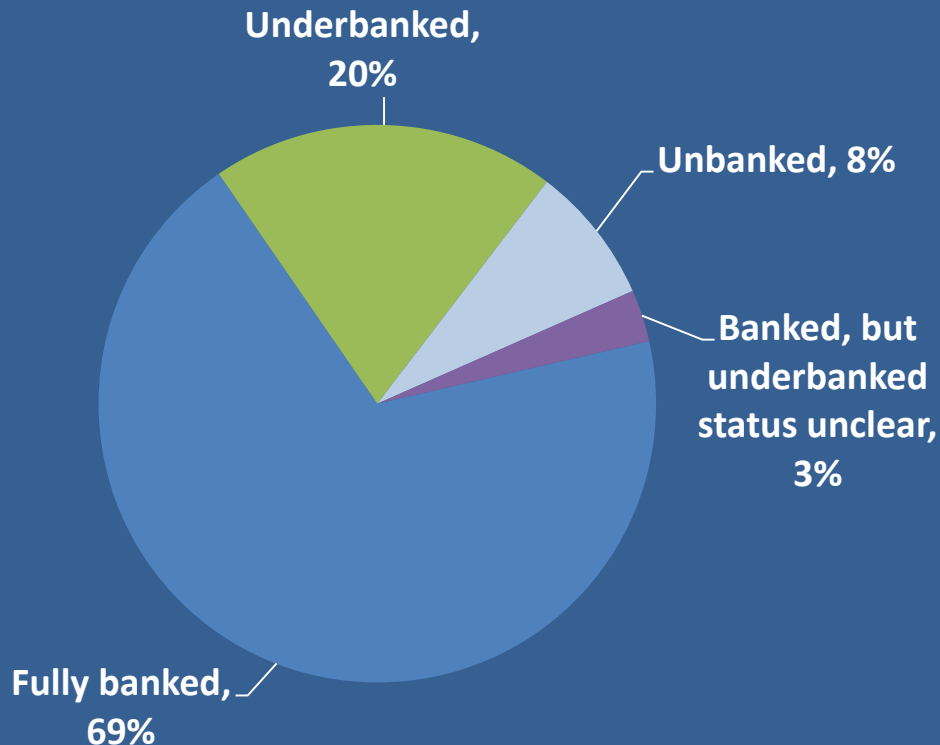
Financial Exclusion in the U.S.

- 68 million citizens are un-banked or under-banked: no bank account, or use alternative providers
- 25% of the U.S. adult population
- Banks have tightened lending standards and increased fees and financial deregulation has reduced access
- 1,500 bank branches close each year



FDIC Survey-Unbanked/Underbanked

- 25% of US households live partially or completely outside the traditional banking system



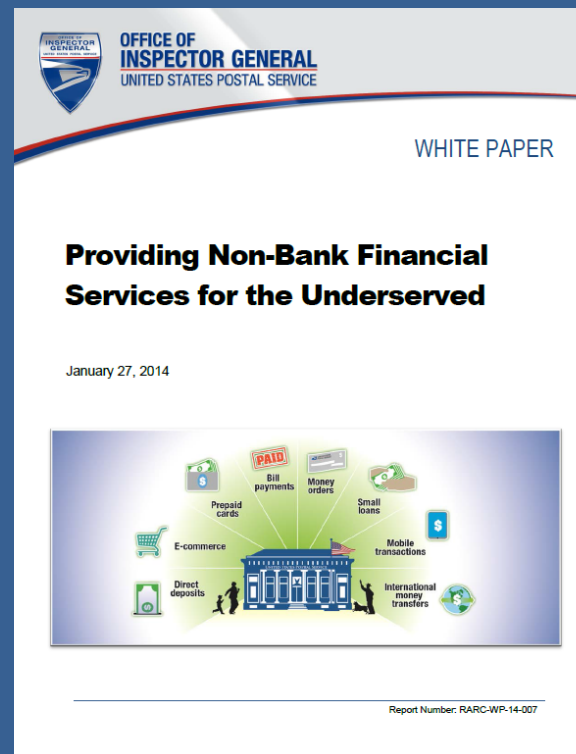
Underbanked and unbanked often served by check cashing, money orders, remittances, payday lending, rent-to-own agreements, car title loans, pawnshops, etc.



USPS OIG White Paper

- **January 2014 White Paper By the USPS Inspector General**

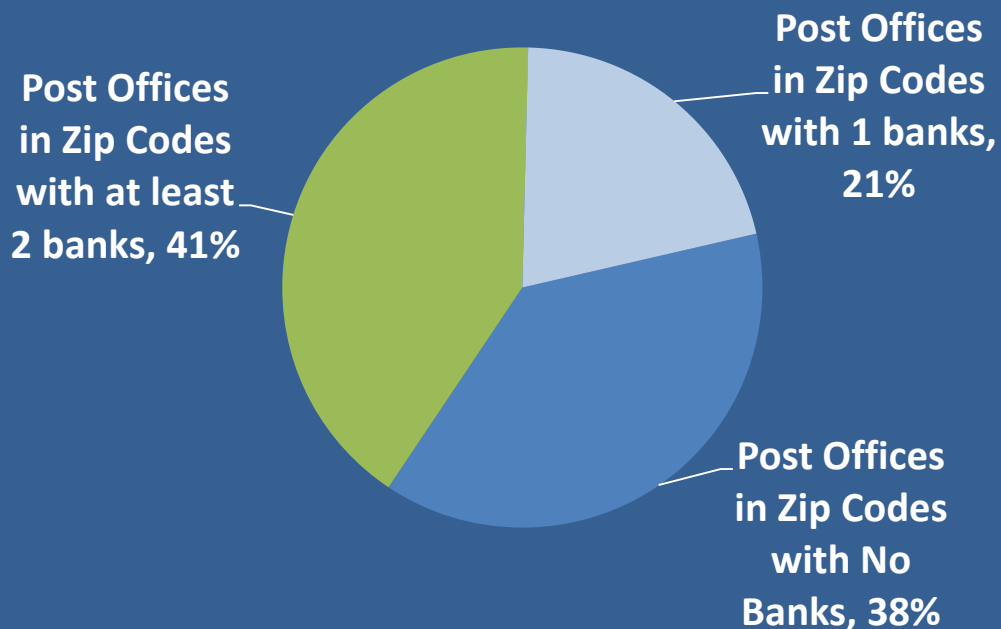
- Huge poorly served population that spends \$89 billion annually on interest, fees and penalties from non-bank providers
- Average un-banked or under-banked household spent \$2,452 annually on interest and fees for financial services



USPS can be solution to lack of access

- Banking “Deserts” In the United States and their relationship to U.S. Post Offices.

USPS OIG Research on Post Office Locations

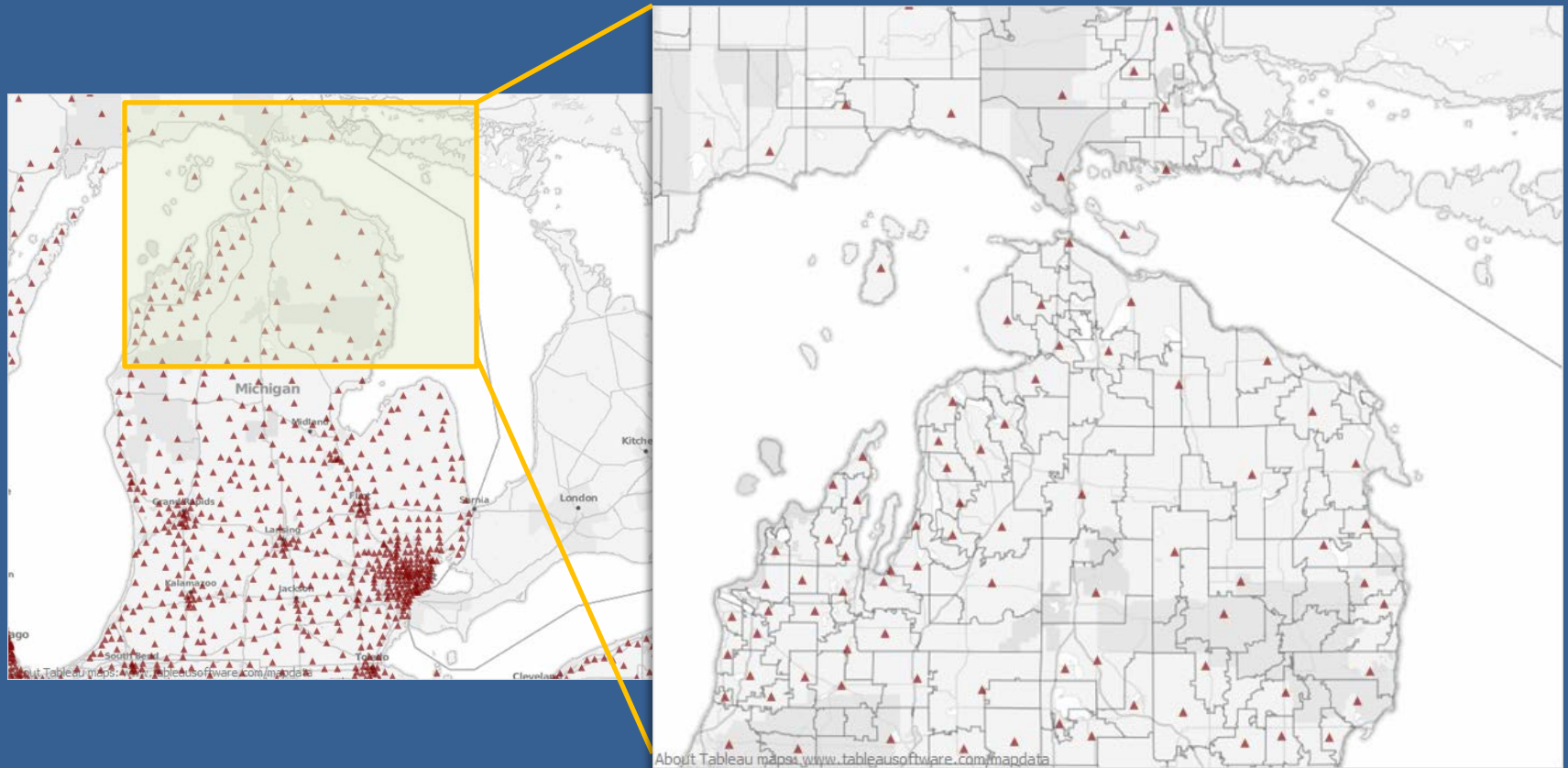


“Fifty-nine percent of internally managed Post Offices are in ZIP Codes with zero or one bank branch.”



Example - Michigan

- Physical Bank Branches in State of Michigan



- **Post Office Locations With No Banks - Banking “Deserts”**



- USPS OIG Report

What Are Non-Bank Financial Services?

- USPS is already providing a few non-bank financial services including money orders and reloadable gift cards
- **Additional Non-Bank Financial Services Could Include:**
 - **Payment Services**
 - Electronic Money Orders, Bill Pay, E-Commerce Payments, Check Cashing onto a Reloadable “Postal Card”, a network of no-fee ATMs
 - **Products to Encourage Savings**
 - Add interest bearing features to a Postal Card
 - **Credit Services**
 - Small size loans via a Postal Card



National Infrastructure Bank

- The U.S. has an infrastructure crisis. According to the American Society of Civil Engineers, we will need \$3.6 trillion of infrastructure investment by 2020.
- The U.S. Highway Trust Fund, which provides federal funding for transportation projects, is set to become insolvent by this summer.
- Broad support for a National Infrastructure Bank -- division over how to finance it.



Minneapolis Bridge Collapse, August 2007



Postal Infrastructure Bank

- The Postal Service could serve as the retail network for a National Infrastructure Bank
- Infrastructure financing
 - USPS deposits could fund infrastructure bonds
 - Infrastructure bonds would generate interest income for payments to depositors
 - * Support universal post office network



Minneapolis Bridge Collapse, August 2007



Long term strategy

- **Postal union alliance – mobilize public support**
- **Public Banking Institute –**
 - broad coalition of NGOs supporting variety of public banking options
 - BankAct advocacy arm
- **Political coalition developing -- Sen. Elizabeth Warren**

Conclusions/Q&A

