

Postal Banking and the High Cost of Abandoning the U.S. Postal Service

Since its inception in 1775, The United States Postal Service (USPS) has been responsible for the delivery of mail within the United States and is an independent branch of the federal government. In recent years, the important work of the USPS has been portrayed as a drain on the federal government, placing the institution under attack. In 2011 it was reported that the USPS was near financial collapse and was in need of major reforms. These reforms included such measures as closing thousands of post offices, ending Saturday delivery of mail, and reducing the workforce by tens of thousands. What was not reported was who would be affected by closing those post offices as well as the financial burden that was placed on the USPS by the federal government.

When the Senate called for reforms within the post office, they did not consider who would be affected by reducing the work force by 220,000 or by shuttering 3,700 post offices. Over the years, neighborhood post offices have become an integral part of the communities they serve. The USPS is the second largest civilian employer in the nation, employing thousands of union workers, and more veterans than any other employer. The Post Office does far more than sort and send letters and packages; it is a financial institution for the “underbanked.” The underbanked represent one out of five households (mostly African American, Latino, and Native American) in America who are underserved by the banking industry. By selling money orders at a low price, the USPS offers some banking services already. However, most of the post offices which were targeted to close are in low income and rural areas, depriving the underbanked of a vital and affordable banking service. Rather than close neighborhood post offices, congress should allow the post office to provide additional banking services to the community.

Banking is not a new venture for the USPS - from 1911 to 1967 the USPS offered savings accounts, and currently sells more money orders than any other institution in the United States. In addition, anyone who goes to a post office and pays with a debit card is offered the option of getting cash back. It has been reported that 28 percent of U.S. households, do not have access to affordable financial services such as the ability to cash a check, transfer money or pay bills. Traditional banks are out of reach for these individuals due to geographic location or because of high banking fees. The USPS is in a unique position to provide basic, affordable, consumer driven financial services to underserved communities which would bridge the banking gap. The USPS currently has more locations than any other retailer and a third of the nation’s zip codes have access to a post office, but lack a traditional bank. Postal banking would cut costs for low wage Americans and the small fees from postal banking would bring additional revenue to the postal system.

The Postal Service’s financial crisis is a manufactured one, caused by a Congressional mandate that no other government agency or private company bears. It requires the USPS to set aside more than \$5 billion a year to pre-fund retiree health benefits 75

years in advance. Without this unique burden, the USPS would have made significant profits in recent years. Postal reform legislation could eliminate the unfair pre-funding mandate and provide the USPS with the necessary income to expand services and modernize its facilities.

Moreover, despite what many believe, the internet isn't making the world's largest postal system irrelevant. First-class mail has declined, but e-commerce is causing an explosion in package volume. Even with this obvious demand for service, the USPS closed and consolidated 140 mail processing centers in 2012 and postal management lowered service standards in 2012 and 2015 – virtually eliminating overnight delivery of first-class mail, and slowed down mail delivery on all other classes of mail throughout the country.

As an independent agency of the federal government, the Postal Service is accountable to the American people. Under federal law, the Postal Service has an obligation to serve the entire nation. The Postal Reorganization Act states, "The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together...It shall provide prompt, reliable and efficient services to patrons in all areas and shall render postal services to all communities." We must call on Congress to remove restrictions on the Postal Service so they can fulfill their mission to serve the entire country, and allow the USPS to provide low cost banking services nationwide in order to serve the underbanked.