

USPS launches pilot for postal banking, ‘an idea that won’t go away’

In September selected post offices in four cities on America’s East Coast began offering basic banking services, allowing people to cash their paycheque or a business cheque. The pilot postal banking program is expected to be expanded in early 2022 to include bill-paying services, cash withdrawals and wire transfers at a greater range of locations.



Postal banking trials have started in Washington DC; Falls Church, Virginia; Baltimore; and the Bronx, New York. Here, a rally against privatising the USPS in Miami. Photo: AFP/Chandan Khanna

The trial is the result of a campaign for postal banking launched in 2015 by the American Postal Workers Union and a number of community organisations, and was negotiated between the union and the US Postal Service (USPS) management. Although the trial does not include the full suite of facilities that a postal bank would provide, its success is foreseen by advocates as a “proof of concept” for a return to postal banking, which was a boon for the USA from 1911 until 1967, when it began to be phased out.

According to a May University of Michigan study, “Postal Banking: How the United States Postal Service Can Partner on Public Options”, over 60 million Americans live in a census zone which lacks a single bank branch and are forced to use payday lending services to cash their pay cheques. They are charged high fees to do so. These low-income earners “spend approximately 10 per cent of their income on fees and interest to fringe financial institutions simply to access their money”, wrote Nicole Ndumele, senior vice president for Rights and Justice at the Centre for American Progress, reported in the *Virginian Pilot*, a paper in one of the trial regions. Like Australia, America has seen an avalanche of bank branch closures. Over 90 per cent of the closures, of some [13,000 branches](#), since the time of the 2008 financial crisis, were in regions with below median household income. These regions are known as “banking deserts”, where people have to travel more than ten miles to the nearest bank branch. *But they do have close access to a post office.* “Robust postal banking, which should ultimately include checking and savings accounts as well as loan options, could step into the breach”, Ndumele wrote.

Federal Deposit Insurance Corporation figures from 2017 show 8.4 million American households are “unbanked” and 24.2 million are “underbanked”, sweeping up one in four households. The figures are no longer updated by the FDIC but would obviously be much worse today. Apart from inaccessibility, there is also a loss of trust in the private banking sector, according to the University of Michigan report, and exorbitant fees turn people off. The cheque cashing fee for the postal trial is not insignificant—US\$5.95—but some private companies currently charge US\$15 or more.

The push for postal banking

New York Senator Kirsten Gillibrand, who in 2020 tabled a bill to restore postal banking, described the pilot as “a great first step toward creating a postal bank”. Gillibrand’s *Postal Banking Act* would provide universal banking access to Americans and save the US Postal Service from “repeated attacks by the Trump administration including denying emergency funding during the pandemic and putting postal workers at risk of losing their jobs, disrupting operations and services, and delaying mail delivery”, according to her website. Commenting on the postal trial, Gillibrand stated: “While the products it will offer are not as expansive as those contained in my legislation, the *Postal Banking Act*, a pilot program will demonstrate the value to these communities, and show that the USPS can effectively service underbanked urban and rural communities.”

Fellow Democrats, Senator Bernie Sanders from Vermont and Representative Alexandria Ocasio-Cortez, also from New York are also pushing legislation to restore postal banking.

A 2010 report released by the USPS, prepared by large private consultancies Accenture, the Boston Consulting Group (BCG) and McKinsey & Company, laid out options for the future of the service, including privatisation. BCG and McKinsey have form pushing for privatisation of postal services, including in Australia, BCG having written the 2014 and 2019 reviews of Australia Post recommending full or partial privatisation. McKinsey has advised numerous nations on postal privatisation. (“US-

Australia parallels in the postal banking war”, AAS, 16 June 2020).

In 2014, with the USPS spiralling into financial disaster, the Postal Service Office of Inspector General issued a report calling for a return to postal banking in some form. Even though the USPS is prevented by the *2006 Postal Accountability and Enhancement Act* from adopting new, non-mail services, the report said the USPS could expand provision of existing, basic financial services under current authorisations. The current trial takes advantage of this, by allowing customers to purchase gift cards (in a process already offered by the post office) worth up to US\$500 with their pay cheque, effectively cashing it for them. Thus Congressional authorisation was not required for the trial. It is proposed that the cards could be expanded from single-usage to reusable cards that carry multiple pay cheques, with the account balance stored in postal system records in case of loss—i.e. much like a bank account.

In 2016, the USPS entered into a contract with the APWU, following a successful collective-bargaining agreement, to investigate ways to increase postal revenue, including with a pilot program for expanded financial services. But Postmaster General Megan Brennan (2015-20) dragged her feet on the pilot plan. Brennan was “focused on cutting costs as opposed to starting new things”, Mehrsa Baradaran, law professor at the University of California-Irvine told political website *The American Prospect* in September 2019. Baradaran, and many other advocates, see an expansion of basic financial services as a pathway to a full public banking option and to fill the void created by shuttering banks.

In April 2018, however, with twelve years of financial losses accrued, President Donald Trump set up a taskforce recommending changes to the agency’s “unsustainable” path, which resulted in layoffs and service cuts and put USPS on the path towards privatisation. Work was contracted out, service obligations were reduced, small post offices were closed, prices were increased and expansion into new services such as postal banking was banned.

In June 2020 Trump appointed new Postmaster Louis DeJoy, who put the plan into high gear, claiming that the post office was in a “death spiral”. (“Postal banking: an idea whose time has come in USA”, AAS, 14 April 2021.) DeJoy launched a ten-year “Delivering for America” plan which permanently slowed delivery times and raised prices for various categories of mail, in an effort to solve USPS’s financial problems. The APWU publicly opposed the DeJoy plan. Working through a coalition of 90 groups, “A Grand Alliance to Save Our Public Postal Service”, it mobilised over 130,000 dissenting submissions to the USPS’s public consultation on the plan.

It was a surprise to many that the banking pilot was taken up under DeJoy’s tenure. A USPS spokeswoman, Tatiana Roy, indicated the banking service pilot was part of DeJoy’s ten-year plan, but his plan did not include postal banking, nor did he raise the pilot program in his numerous testimonies before the Congress or their committees over the past year. His silence was raised by two Republican congressmen, House Oversight and Government Reform Committee Ranking Member James Comer and House Financial Services Committee Ranking Member Patrick McHenry, after they discovered the pilot. In a letter to DeJoy they attacked the pilot for exceeding the postal agency’s statutory authority, and contended that the agency’s 14 years of financial losses disqualified it from an expansion into financial services.

Porter McConnell from the Save the Post Office Coalition, speaking to NBC News on 4 October commented on the small size of the test run and the fact that it was not being done in rural and isolated areas that most need it. “He is doing the least he can do”, McConnell told NBC of DeJoy. “What would it look like if there was a forward-looking postmaster general who was really strategic about new sources of revenue, serving new populations and building a post office into the community hub that it should be for the 21st century? If you think about that, this all is a little less exciting.”

Nonetheless, that it was forced to happen at all is significant. As government business news daily *Government Executive* reported: “The push for postal banking has gained steam in recent years, even becoming a part of the official platform of the Democratic Party. A House-backed funding bill for fiscal 2022 would require USPS to implement a banking pilot in five rural and five urban ZIP codes.”

Further motion

In mid-2019 a bipartisan amendment to a fiscal appropriations bill allocating US\$1 million for the establishment of a postal banking system, tabled by New Jersey Democrat Bill Pascrell, passed the House, but was stalled in the Senate. The Inspector General’s October 2020 annual report again called for the restoration of postal banking, projecting it would generate US\$9 billion in annual revenue. In May 2021, a bill to provide financial relief to the postal service, including by repealing a mandate that forces the postal service to prepay health expenses, passed the House and was introduced in the Senate by a bipartisan group of 20 senators.

Pascrell, also a cosponsor of the *USPS Fairness Act* bill, has fought privatisation of the postal service and demands that “we again treat this agency like a public good rather than a private business”. The *USPS Fairness Act* bill, currently in committee in both the House and Senate, would repeal the mandate for the postal service to prefund its retiree health care benefits 75 years in advance, which is one of the key factors crippling the agency financially. The bill had also stalled in the Senate last year,

but was reintroduced into the House and Senate in February 2021.

Pascrell has called for all six current members of the USPS Board of Governors to be sacked by the Biden administration, which makes the appointments. A new board, which appoints the postmaster general, could then replace DeJoy. Illinois Senator Tammy Duckworth demanded in March that the board fire DeJoy for his efforts to destroy the postal service through austerity measures. In April, two of three new Biden picks to join the postal board were confirmed by the Senate.

Meanwhile, opposition is coming from the usual suspects. The American Bankers Association issued a statement rejecting a “government-subsidised service through the post office” and saying the USPS was “ill-suited to manage” postal banking. Ross Marchand of the right-wing Taxpayers Protection Alliance said: “Lawmakers need to confront a government run amok instead of calling for federal banking.” Paul Merski, from the Independent Community Bankers of America, argued that a facility that cannot keep up with delivery of mail is not equipped to provide financial services, which “have never been more complex”. Ruining the staying power of the postal banking concept, he complained to NBC News on 4 October, “This is just a bad idea that doesn’t seem to want to go away.”

British, Irish post office deals with banks —next stop post bank?

In mid-October Irish post office An Post signed a deal with the Bank of Ireland which allows customers to do their banking at 923 post offices across Ireland.

The British Post Office is also in negotiations with banks, seeking an extra £200 million per year to cover the cost of bank customers accessing cash over post office counters.

The *Times* reported 20 September on the proposed threeyear deal, which would see banks hand over a total of £800 million per year for the use of 11,500 postal branches, but there are also plans to negotiate a more significant ten-year deal to include the cost of new investment into postal systems. Such a deal would provide long-term certainty, both for the post offices and for their customers. This has become a much bigger issue as major banks have closed hundreds of branches in recent years. (“UK forced to legislate to protect cash access”, AAS, 25 August.) The negotiations include testing new “banking hubs” that combine bank and postal outlets, two of which are already in motion, with 20-40 more on the table.

In September the Post Office reported it had handled the highest amount of cash in one month ever, and post offices are preparing for a continued surge, with longer opening hours planned. AAS is aware that postal agencies across the British Isles have been apprised of the successful Bank@Post deal struck by former CEO Christine Holgate between Australia Post and Australian banks, which finally made them pay an adequate fee for services rendered.

By Elisa Barwick, Australian Alert Service, 27 October 2021