

Should the post office also be a bank?

Federal Diary

By [Joe Davidson](#) October 30, 2015

After college, Sally Frank, of Dallas, fell on hard financial times.

To help meet her hefty student loan payments and other bills, she cut costs by sharing a two-bedroom apartment with three people and picked up extra work whenever she could.

“But it still wasn’t enough,” she said. “Eventually there came a time when I was so far behind that I didn’t have money for rent... I took out a payday loan to cover the rent and then I was really in deep water. I ended up having to take out two more loans over the next two months to cover that first loan....The loan was \$150. I ended up paying over \$2,000 to the payday lending industry over the next 4 months.”

Gordon Martinez in Richardson, Texas also turned to payday loans after some admittedly irresponsible financial behavior left him in the red. A musician, he used his prize possession, a tuba worth \$8,000, as collateral to borrow \$500 from a payday lender.

Over two years, he said he paid back \$3,700. But he still lost the tuba.

“Never would I consider using (financial) products like this again,” he said.

Frank and Martinez might be through with payday loans, but plenty of other people aren’t. If there were more alternatives in neighborhoods lacking banks,

payday customers might not be driven to lenders with a reputation for exploiting borrowers with high-interest loans that roll over and over and over.

Cue postal banking.

Postal unions and civil rights groups are among other advocacy organizations, along with the U.S. Postal Service inspector general, pushing USPS to expand into banking. Sen. Bernie Sanders (I-Vt.), a Democratic presidential hopeful, agrees. But USPS, which could use the business, has no interest.

[\[Bernie Sanders has a pretty revolutionary idea to change America's post offices\]](#)

Providing financial services in post offices “could benefit the 68 million underserved Americans who either do not have a bank account or rely on expensive services like payday lending and check cashing,” says an [inspector general report](#) issued in May. “The products also could help the Postal Service generate new revenue to continue providing universal service. Because it has a presence in every neighborhood, including many places where there are no longer any bank branches, the Postal Service is well suited to provide such services. In addition, its well-trained workforce is already experienced at handling complex transactions and watching out for related fraud and other risks.”

The push for postal banking received a boost this month with [an article by Mehrsa Baradaran in The Atlantic](#). Baradaran, a University of Georgia School of Law associate professor, advocates a “central bank for the poor,” as an alternative to “the unscrupulous practices of payday lenders.”

Postal banking, she wrote, could provide short-term loans and “potentially drive out the usurious fringe-lending sector, which profits from Americans’ financial woes.” Her article was adapted from her book “[How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy.](#)”

USPS officials regularly trumpet what they are doing to improve the Postal Service’s financial situation, including such things as selling greeting cards. But the officials have rejected postal banking.

“While we currently provide our customers with certain financial services, including money orders, electronic funds transfers, and cashing of U.S. Treasury checks, our core function is not banking,” said David A. Partenheimer, a USPS spokesman. Former Postmaster General Patrick Donahoe was more emphatic during his farewell press conference in January. “The key thing for any successful business is to work within their core,” he said. “We don’t know anything about banking.”

They must have forgotten.

Postal banking, known as the Postal Savings System, began operation in 1911 and officially ended in 1967, though the Post Office stopped accepting deposits a year earlier. Initially, savings earned 2.5 percent interest with a half-percent designated for operation of the system, according to a [postal service history](#). “Although bankers first viewed the Postal Savings System as competition,” the history says, “they later were convinced that the Postal Savings System brought a considerable amount of money out of hiding from mattresses and cookie jars.” Most of the money was redeposited in local banks. The Postal Savings System, however, did not include lending, according to Mehrsa.

Meanwhile, a coalition of civil rights organizations are fighting two of President Obama's nominees to the USPS Board of Governors, one of whom has ties to the payday industry. A [letter from The Leadership Conference on Civil and Human Rights](#) to the Senate leadership says "given the harmful effects of payday lending on the communities we represent, and given the value of and need for a vibrant, public Postal Service that provides affordable, universal mail service to all – including rich and poor, rural and urban, without regard to age, nationality, race, or gender – we are especially troubled by the nominations of Mickey D. Barnett, who has previously worked as a lobbyist for the payday lending industry, and of James C. Miller, III, who dating back at least to his tenure as director of the U.S. Office of Management and Budget (OMB) from 1985-88, has strongly supported privatizing the Postal Service."

[Why sell off the Postal Service if it's still making money?]

Miller said while he continues to believe "the voters, consumers, and, yes, employees would benefit if postal services were privatized, in view of overwhelming opposition to privatization in Congress I have stated it would be futile for me to expend any efforts in this direction. Instead, as I did while in my previous service on the Board, I intend to help make the U.S. Postal Service an efficient business enterprise — one that serves the public well without becoming a ward of the state."

Barnett did not reply to a request for comment.

The payday industry, represented by The Community Financial Services Association of America, did have something to say. An association statement said "we welcome increased competition in the short-term credit

marketplace,” but not from the Postal Service. “The private sector remains the best opportunity for serving small dollar, short-term loans.”

Sally Frank and Gordon Martinez might differ with that.

Guy Guerrero

10/31/2015 12:47 PM EDT

Great Idea. That will kill the loan sharks.

Ignore User

LikeReportShare

rollfair

10/30/2015 2:21 PM EDT

The Post Office should be eliminated. It competes with many commercial businesses that could do the job just as well and in the process getting rid of the Post Office removes the financial burden from the government. The government should never be in the service business. I know it was originally created early in the country past but if the government had not created it, someone would have created a commercial version. In fact most services that the government provides can probably be done better and cheaper by the private sector.

Ignore User

LikeReportShare

1

Former Government Auditor

10/30/2015 1:04 PM EDT

A few large countries still operate Postal Saving Systems out of habit. (Britian, Germany, China). And some smaller countries. Others have shut down. Results seem to be mixed as to their effectiveness for small saves.https://en.wikipedia.org/wiki/Postal_savings_syste... If this is just another scam to "save" the Post Office, then it is a bad idea.

Ignore User

LikeReportShare

1

jeglackin

10/30/2015 1:38 PM EDT

There is no need to "save" the USPS. If Congress will just stop making it pay \$5.5 BILLION every year to fund healthcare 75 years into the future, the USPS would be comfortably in the black. And it still costs less than \$.50 to mail a letter--the lowest rate globally. Postal Savings banks are a better idea than payday loans, who charge rates that would make loansharks green with envy.

Ignore User

LikeReport

grannybunny

10/30/2015 1:01 PM EDT

My family of origin was poverty-stricken. We lived in the Projects, avoided bill collectors, did not have adequate money for decent clothing, including shoes, etc., much less for such perks as a TV or bicycles for my sisters and me, etc. However, I did have a Post Office Savings Account. It was wonderful. A Postal worker came to our school every week to collect our meager -- pocket change, really -- deposits and to update our bank books. This started me on a life-long habit of saving, a habit that a lot of low-income people never get a chance to form. Over the years, I frequently had to loan money -- from my savings account - - to my own parents, to ensure that our family had the necessities of life. Soon, I will be retiring -- hopefully, to a financially-comfortable retirement -- thanks to trying to save something from every bit of money that passes through my hands, a lesson learned early in life from my Post Office Savings Account. I sincerely hope the United States Postal Service does resume banking. It would benefit both USPS and the millions of unbanked and under-banked Americans.

Ignore User

LikeReportShare

2

Spring Morning

10/30/2015 12:44 PM EDT

I don't pay bank fees of any kind. My bank is a credit union.

Ignore User

LikeReportShare

2

Steven P Gordon

10/30/2015 1:08 PM EDT

HUZZAH! Words that BoA, Chase and other "too big to fail" banks don't like to hear.

Ignore User

LikeReport

1

4blazek

10/29/2015 11:48 PM EDT

The USPS isn't even good at delivering mail. Now they want to be bad in banking too?

Ignore User

LikeReportShare

3

Le Hunt

10/30/2015 10:23 AM EDT

It was great until the repukes effed it up under Bushie. I used to send out all my craft orders USPS because not only would they get to my customers fast, they would get there

undamaged. The private companies I used charged more, destroyed boxes, and sent the goods to the wrong places. Our postal system was the best in the world until the repukes got their dirty hands on it.

[Ignore User](#)

[LikeReport](#)

Former Government Auditor

10/30/2015 1:08 PM EDT

Nonsense. Blaming Bush shows your ignorance. Email, Online magazines, FEDEX, and UPS killed the Post Office. 98% or more of my mail is junk mail.

Since you are commenting here, you probably don't even get the Post delivered.

[Ignore User](#)

[LikeReportShare](#)

TennesseeJD

10/30/2015 10:37 AM EDT

What are you talking about? The USPS even delivers packages on Sunday, and mail for a whole lot less than its competitors in the private sector.

[Ignore User](#)

[LikeReport](#)

Former Government Auditor

10/30/2015 1:08 PM EDT

Making deliveries at a loss is why the Post Office loses money. Business 101.

[Ignore User](#)

[LikeReportShare](#)

1

R_G_Benson

10/29/2015 10:07 PM EDT

This is truly a modern postal service idea ... the USPS would be doing catch up here, emulating its competitors overseas. In our country, with its widespread network of rural postal offices, it would be a godsend for those inhabitants as well as an important profit center for the USPS.

[Ignore User](#)

[LikeReportShare](#)

1

4blazek

10/29/2015 11:49 PM EDT

Doing 2 things poorly only compounds the losses...

[Ignore User](#)

[LikeReport](#)

grannybunny

11/2/2015 1:49 PM EST

And, doing 2 things well only compounds the profits. Operationally, USPS is profitable.

Ignore User

LikeReportShare

Ramachandran Vatakara

10/29/2015 9:26 PM EDT

Pay day lending--this kind of a system exists in Kerala state in India. These lenders are mockingly called "blades" with a new meaning attached to it namely : "throat cutters" because of the very high interest they charge. They lend money mostly to workers and house wives and collect interest weekly. As the amount involved is very small this has not attracted much attention. But the victims are severely exploited-- they have to pay back 3 or 4 fold of the original loan. The middle class people need huge amounts for starting business, constructing houses and the like. In such cases they are compelled to give signed blank cheques and stamped papers to the lenders. In most cases they will not be able to pay back the loan amount as the interest is very high. Many people committed suicide when the lenders took legal action against them. The lenders will fill in the cheques and stamped papers with the amount they need to prove that the interest rate is as per rules. When this became an issue the state govt: started an operation named "Kubera" and arrested many lenders. People take loans from these "blade companies" because they don't have any formalities like the banks. GIVE A SIGNED BLANK CHEQUE AND STAMPED PAPERS-one gets the required amount. If the governments make arrangements to give loans with such a simple procedure it would be very helpful to workers, students and the like, post offices can do this

Ignore User

LikeReportShare

Wal Stir

10/29/2015 7:16 PM EDT

"After college, Sally Frank, of Dallas, fell on hard financial times. To help meet her hefty student loan payments Eventually there came a time when I was so far behind that I didn't have money for rent... I took out a payday loan"

When people are going under financially; then they will borrow from whoever they can until they cannot borrow any more. If they can get loans from the post office; then they will borrow as much as they can from the post office before borrowing even more from payday lenders as well. If the post office is an additional source of borrowing; then there will be more borrowing overall as the new source gets utilized in addition to existing sources. Currently, students owe billions to the government that they cannot pay back. Those and other borrowers will end up owing billions to the post offices and be unable to pay that money back as well.

Ignore User

LikeReportShare

archeopteryx

10/29/2015 9:16 PM EDT

The point is that payday loans are a legal loan shark activity. The interest is sky high. It's stupid to take one out unless you are absolutely sure you can pay the whole thing off right away.

Ignore User

LikeReport

2

GSA101

10/29/2015 7:14 PM EDT

I'm don't think the Postal Service should get into the lending business. This is probably too far removed from their core competency.

However, there is a real problem in this country with a large portion of the country's population not having a bank, due to the sneaky, greedy fees that the banks impose on the poor and unwary.

A Postal Savings Bank which accepts deposits, cashes private as well as government checks, and integrates this with the sale of money orders, ATM withdrawals, and secured debit cards, as well as receiving and sending electronic funds transfers, would be very useful.

As the article pointed out, post office branches are located all across the country and this would provide much needed convenience for customers, as well as provide increased viability for the Postal Service going forward. If it can't expand its product lines, the rapid decline of first class mail is probably going to kill the Postal Service in the long run.

The banks will undoubtedly scream that it is unfair for the government to be competing against private corporations. In this case the Banks' wounds will have been totally self-inflicted. Besides, the argument that the Bailed-Out Banks are truly "private entities" is dubious.

As far as the problem with Payday lenders, the solution is simple. Simply pass legislation that limits the interest rates and fees to 30% per year. This will eliminate the abuses. If some Payday lenders go out of business due to the interest rate limit, that would be no great loss to society.

Ignore User

LikeReportShare

2

Le Hunt

10/30/2015 10:24 AM EDT

Our Post Office used to do this, successfully. They do it successfully in Europe.

Ignore User

LikeReport

Public Sector Fails

10/29/2015 6:49 PM EDT

Very Imaginative!

The postal unions have about finished opening the vault and looting the Public treasury..

Opening a bank at the post office? This is kind of like having the foxes guard the henhouse...

Ignore User

LikeReportShare

1

Le Hunt

10/30/2015 10:26 AM EDT

You are simply a liar, period. The USPS never took a dime of tax money or anything from the Public Treasury, it has always been self-supporting. I call you out for a filthy liar. The only reason it's having trouble now is because it has to fund pensions for the next 75 years in 5 year's time. It's the repuke plan to destroy a great institution. You are a disgusting lickspittle.

Ignore User

LikeReport

1

Le Hunt

10/30/2015 12:43 PM EDT

Too bad I can't report you for stupidity and mendacity.

Ignore User

LikeReport

yandoodan

10/29/2015 6:29 PM EDT

Mr. Davidson, one of us is confused. Are you saying that neighborhood banks will loan you a small amount of money for two weeks, secured against your paycheck? Because I am under the impression that they won't. And if they won't, what does "neighborhoods lacking banks" have to do with it?

And what sort of interest should the Postal Service charge on a two week loan secured by a paycheck? It has to be high enough to cover fixed costs, which are the same for two weeks

or two years. And they have to make a profit, or else why do it? Do you think that charging a quarter percent on a two week loan (that's 6% per annum) will do it? That'd be 25 cents on a hundred dollar loan. Doesn't sound profitable to me.

And what are they supposed to do if the creditor doesn't pay it back in two weeks? Seize the paycheck, or roll the loan over?

Have you failed to think this out? Or are you just looking to burden the Postal Service with another freeb from Uncle Sugar?

Ignore User

LikeReportShare

Ellie59

10/29/2015 6:50 PM EDT

I have to agree with you that there sounds like there are some pitfalls here that aren't being thought about. And also - just to operate like a bank - wouldn't the post office have to invest in some considerable infrastructure to set the whole thing up? I don't think that any new system gets set up anywhere without some considerable initial outlay.

I'm all for helping people escape these terrible loan sharks - it really is a no win situation for the borrower who clearly already has financial problems. I think it would be great to find a way to stop the usurious interest charges - but it sounds like it would be very difficult for the post office to manage and doesn't sound like something that would pay for itself, so to speak.

Ignore User

LikeReport

1

yandoodan

10/29/2015 8:16 PM EDT

Lets get back to that \$100 loan for two weeks. (You had an unexpected doctor bill, and now you have to buy groceries or else your kids will go hungry.) What's a reasonable charge for that, one that covers the risk of not getting repaid, overhead, and a profit. Say, five bucks?

Five dollars charged on a hundred bucks for two weeks?! That's ten percent a month -- 120% per annum!

So how much would you charge a total stranger with a bad credit history and with so few resources she can't buy groceries? (Editorial "you" -- I'm not picking on you, Ellie.) Most of us wouldn't lend a hundred to someone like that in the first place. Too high a risk.

Ignore User

LikeReportShare

Ali_sard

10/29/2015 6:22 PM EDT

Yes,

Yes it should.

Ignore User

LikeReportShare

3

nitrat

10/29/2015 6:55 PM EDT

They do it all over Europe, right?

Ignore User

LikeReport

2

grannybunny

11/2/2015 1:51 PM EST

The biggest bank in Japan is the Postal one.