



## **A new line of business for the post office: Banking?**

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With the U.S. Postal Service closing hundreds of post offices around the country, maybe it's time for it to find new growth opportunities. That's exactly what the nation's largest postal union wants. So, it's pushing the USPS to provide financial services to tens of millions of Americans who aren't served by the nation's conventional banking system.

"By some estimates as many as 100 million people have no access to commercial banking," Mark Dimondstein, president of the American Postal Workers Union told CBS MoneyWatch.

"Right now these households can lose up to 10 percent of their income to payday loans and others forms of predatory lending."

The APWU effort comes as the USPS continues to grapple with a decline in First Class mail volume as Americans increasingly opt for email to communicate. In the last few years, over 200 postal facilities have been closed as the independent agency downsized while meeting a Congressional mandate to set aside over \$5 billion annually to cover projected health care costs for the postal system's retirees.

Dimondstein said USPS' reentry into financial services would meet a "tremendous social need" for nonprofit banking while "strengthening the U.S. Postal service by bringing in more business." From 1911 until 1967, the USPS did provide basic financial services for postal patrons. At its peak in popularity in 1947, it held \$3.4 billion from over 4 million depositors.

The USPS still offers international currency transfers and money orders and holds a 70 percent market share of the nation's money order business.

But for the Cato Institute's Chris Edwards, who edits the Cato Institute's Downsizing Government, such an expansion would be ill advised. Edwards said the rest of the world is moving to break up and privatize their public postal systems to save money and bringing about major innovations. Edwards pointed to Germany's privatizing of Deutsche Post, which he said not only improved postal service but helped set the stage for Deutsche Post to acquire DHL, the global shipping giant.

"In Japan, Italy and England they are breaking up these octopus-like public conglomerates," Edwards told CBS MoneyWatch. "It's clear that when things are in the public sector, they're bloated because there's no incentive to economize to produce profits."

He added: "When Benjamin Franklin went about creating our postal system, you could make the argument that at that point in our history it was a unique government function, but that just isn't the case anymore."

A 2014 report from the USPS Inspector General estimated postal banking could bring in close to \$9 billion in additional revenue annually. "The average underserved household spends \$2,412 each year just on interest and fees for alternative financial services," according to the IG's white paper *Providing Non-bank Financial Services for the Underserved*.

According to the IG, one in four American families fell into the banking underserved category, which is primarily composed of black and Hispanic households and people under 25. The IG's research indicates that since 2008, 93 percent of the thousands of bank branch closures were concentrated "in zip codes with below national median household income levels."

The IG report concluded that as the nation increasingly moves away from using cash in transactions, "the postal service's ability to provide a physical link to the new digital economy will become more and more vital."

The idea has also surfaced as a campaign proposal from Democratic presidential hopeful Sen. Bernie Sanders.