

Better Than We Found It

Simple Solutions to Some of the
World's Toughest Problems

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The Post Office as a Bank for Those without One

Revitalize the U.S. Postal Service by offering a new banking option for millions

The problem—millions of the working poor are exploited by the present financial system

In the United States there are millions of people who live without a bank account. Many of our poorest community members live paycheck to paycheck, unable to afford the monthly charges associated with institutional banking. The emergence of high-interest check-cashing outlets is proof of this tragic reality. The end result is effectively a tax on the poorest segment of our society, not to mention a vicious cycle that can leave those hard-working but vulnerable folks unable to break the cycle of poverty. Without a bank account and good credit, buying a house is next to impossible. The same problem rears its head when the working poor want to purchase a car or other form of transportation—the only realistic way of traveling to work in many parts of the country. People without a track record in the institutional banking system (i.e., without a bank account and an established credit record) may find it impossible to purchase a car with an interest rate that wouldn't make a bookie blush. Put simply, the lack of adequate banking services for the working poor contributes to keeping people in poverty, and leaves them without access to reasonable interest rates, financial planning, and a physically safe place to store their money.

Why the problem exists—and how to think differently about it

The nickel-and-dime tactics of major financial institutions are something we've all experienced. Two- and three-dollar

charges for services are ubiquitous, and applied to everything from accessing a particular ATM to purchasing money orders. While most Americans are able to bear these costs, those living on the edge of bankruptcy quite simply cannot.

Despite the fact that the largest banks in America recently received billions upon billions in taxpayer bailout dollars to keep them afloat, these companies have no legal responsibility to loan money or provide services to anyone. These big financial institutions have stacked the deck in their favor with the political system long before the bailouts, with rules that enable high fees for even the simplest of banking transactions. This allows the financial institutions to bleed their account holders for quick revenue while keeping away the working poor who have lots of transactions, but potentially small account balances.

The solution is to implement a system common to other first-world nations: empower the U.S. Postal Service to offer simple banking and financial services. Post offices are everywhere, and the infrastructure already exists. No new buildings would be required. Post offices already sell financial instruments—like money orders—and post office workers already handle millions of cash transactions per day. The Postal Service maintains an excellent internal auditing and inspection process, and as a federal agency, fraud and other crimes against the Postal Service are actually crimes against the United States, and are therefore taken very seriously.

The Postal Service has suffered greatly over the last decade as many Americans have switched to emailing instead of sending letters and to using electronic bill-paying services instead of mailing bills. This change has left the Postal Service without the revenue brought in by all those first-class stamps. What this has meant is the need to raise postal rates,

cut services, and take other drastic measures demanded by multi-billion-dollar shortfalls.

By adding a small range of financial services to the post office menu—such as simple savings and checking accounts, ATM services, and online bill-paying services—the Postal System could easily address the needs of those who cannot afford institutional-level financial services, solidify its bottom line, and helping the working poor move forward—all at the same time.

This effort would also pressure conventional banking outlets to reconsider the fees they charge or risk losing customers who choose to patronize the Postal System. ATM fees, wire transfer fees, monthly charges, and a host of other services would suddenly become less expensive, and more efficient, once the Postal Service is equipped to provide similar services for little or no money.

How is it possible for the Postal Service to do this so cheaply when banks claim they have to charge these fees to stay in business? The first part of the answer is volume. The census shows that there are seventeen million people without bank accounts and more than twenty million additional people considered to be “under-banked”—which means that they may have bank accounts but rely on alternative financial services. So, right away, 10 percent of the entire population of the United States is in need of the services of a post office bank, not including those who would use it for the convenience factor or to escape higher fees elsewhere. The second part of the answer is that these services would add little additional expense to the Postal System overhead if done properly (and done properly means keeping the traditional banking lobbyists’ hands off of this new system—they have every reason to make it expensive and cumbersome because it would provide true competition for them). And many of

these fees are almost pure profit for the big banks. Charging three or more dollars to withdraw one's own money from an ATM is crazy. These transactions are profitable in most cases with fees in the pennies. There is no need for the corporate banking tyranny to continue when the Postal System can charge pennies instead of dollars for its ATM withdrawals (post office bank customers with active accounts would get this service for free) and related transactions. This will also have the added effect of forcing traditional banks to raise their quality of service and lower their fees in order to avoid losing customers.

How would it work in the U.S. and who would pay for it?

Enabling the Postal System to offer basic banking services would not cost taxpayers any money. Banking transactions and the resulting interest and minimal fees could actually turn into a profit center for the Postal System, enabling it to modernize itself and assisting it in getting itself out of debt at the same time. The Postal System would need Federal Deposit Insurance Corp. insurance to guarantee that account holders' money would be safe in case of a bank failure. This FDIC coverage should be very easy for the Postal System to get, assuming that the banking lobby does not try to derail the process.

How to get it done

Contact your member of Congress (<https://writerep.house.gov/writerep/welcome.shtml>) and your two senators (http://www.senate.gov/general/contact_information/senators_cfm.cfm) and ask them to sponsor legislation that would enable the Postal System to provide basic banking and financial services. Feel free to send them this chapter and tell them that you know the banking lobby is strong, but you ex-

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pect them to support commonsense legislation that would enable the Postal System to provide basic banking services—because such a huge percentage of the population is not currently being served.

Contact the postmaster general's office (<http://faq.usps.com/eCustomer/iq/usps/request.do?create=kb:USPSFAQ&forward=inquiryType>) and tell the Postal System administrators that there is a lot they can do even without federal legislation. Ask them to start the process.

Then contact the White House and explain the importance of this issue and get your friends to do the same – and blog about it if you are inspired (<http://www.whitehouse.gov/contact/submit-questions-and-comments>) and get . If you work at a post office, or if you know someone who does, convince postal employees to talk up this idea among their coworkers, bosses, and friends.