



POSTAL BANKING:

**DELIVERING FOR THE
AMERICAN PEOPLE**



K I R S T E N
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SUMMARY

The U.S. Postal Service is a staple of the American experience. With post offices in virtually every community across the country, millions of consumers interact with and depend on USPS each year, and they overwhelmingly approve of the agency and the services it provides. By contrast, more than 46 million adults are not having their needs met by our current banking system, with factors such as a lack of proximity to a local bank branch and a lack of trust of banks pushing the unbanked toward risky and often predatory alternative financial products. Offering a broad range of basic, reliable, low-cost financial services through USPS would be an effective means of bridging this gap, giving vulnerable individuals safer banking options at an institution that they already know and trust and that is almost certainly located close by.

Postal banking would be a boon not just to New Yorkers and the American public as a whole, but also to the Postal Service, which has long been under financial strain and would benefit from the additional revenue stream. Data provided by the Federal Deposit Insurance Corporation (FDIC) and additional analysis by the office of Senator Gillibrand indicate the following:

- **At least 1.5 million New York households and more than 25 million households nationwide stand to benefit from postal banking.**
- **Postal banking could generate nearly \$19 billion in annual revenue for USPS.**

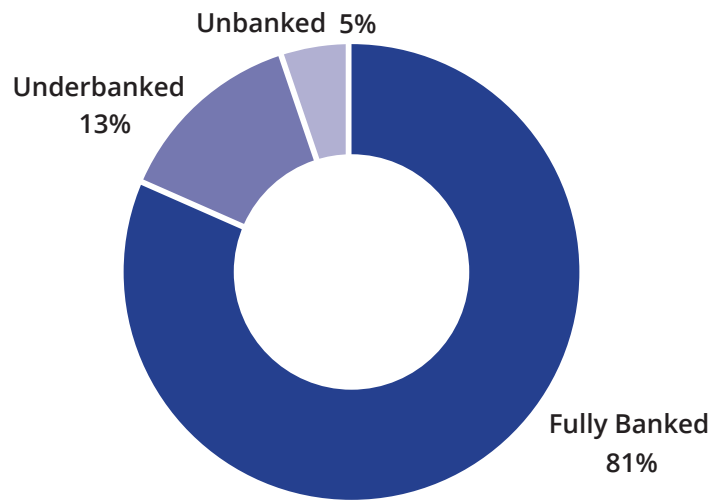
In view of this broad potential, Congress should act quickly to make postal banking a reality. Passing the *Postal Banking Act* would enable USPS to greatly expand the suite of financial services it offers, which would, in turn, greatly expand Americans' access to financial security and opportunity.

THE PROBLEM: FINANCIALLY UNDERSERVED AMERICANS AND A FINANCIALLY STRUGGLING POSTAL SYSTEM

Even as digital technology has vastly increased the convenience of our banking system, millions of Americans remain unable or reluctant to access financial services through traditional banks and credit unions. In 2020, 5% of adults in the U.S. were “unbanked” – meaning they did not have a bank account – and an additional 13% were “underbanked,” defined as those who had bank accounts but still made use of alternative financial services (AFS) such as payday loans, tax refund advances, and check cashing. Those rates were much higher among low-income populations and communities of color: 40% of Black adults and 30% of Hispanic adults were either unbanked or underbanked, and 84% of all unbanked adults had a family income below \$25,000. All together, more than 46 million Americans are currently underserved by mainstream banks.^{1, 2}

1 “Economic Well-Being of U.S. Households in 2020,” Board of Governors of the Federal Reserve System, [May 2021](#)
2 U.S. Census Bureau, [8/12/21](#)

Americans' Banking Status, 2020



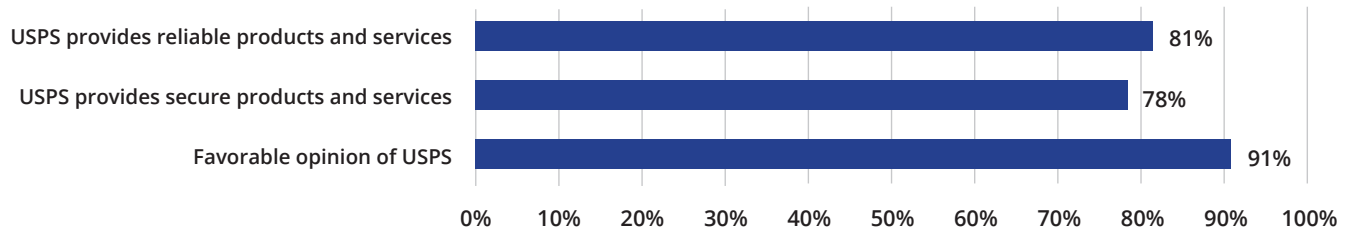
Source: Board of Governors of the Federal Reserve System

Two major factors in the unbanked/underbanked phenomenon appear to be a lack of accessibility and a lack of trust. In a 2019 survey, one in seven unbanked households (14%) said they did not have a bank account in part because “bank locations are inconvenient.”³ Indeed, as of 2014, more than 3.7 million Americans were living in so-called “banking deserts,” having no bank branch within a 10-mile radius.⁴ Compounding the issue, banks continue to close their branches around the country at a steady clip, especially in low- and middle-income neighborhoods. Banks have shuttered more than 13,000 branches since 2008,⁵ with a record 2,927 net branches closed in 2021 – including 221 in New York State.⁶ On top of these accessibility concerns, over one-third of unbanked households surveyed (36%) said they “don’t trust banks,” with nearly one in six (16%) listing that as their main reason for not having a bank account.⁷

On the other hand, the U.S. Postal Service is one of the most ubiquitous and widely trusted institutions in America. In 2020, it boasted 768.1 million customer visits at 31,330 retail locations across the country,⁸ comprising the nation’s largest retail network.⁹ In fact, a 2021 study found that 21 million Americans live in census tracts containing a post office but no banking options,¹⁰ while a 2014 report by the USPS Office of Inspector General (OIG) stated that 59% of post offices were in ZIP codes with one or no bank branches.¹¹ The Postal Service also maintains a great deal of credibility: in a 2020 survey conducted by the USPS OIG, roughly 80% of respondents said USPS’ products and services were both reliable and secure, and 91% viewed USPS favorably overall.¹² A separate 2020 poll found that the Postal Service’s favorability rating was the highest among a long list of federal government agencies.¹³

3 “How America Banks: Household Use of Banking and Financial Services,” Federal Deposit Insurance Corporation, [October 2020](#)
4 Federal Reserve Bank of St. Louis, [7/25/17](#)
5 National Community Reinvestment Coalition, [12/14/20](#)
6 S&P Global Market Intelligence, [1/20/22](#)
7 “How America Banks: Household Use of Banking and Financial Services,” Federal Deposit Insurance Corporation, [October 2020](#)
8 U.S. Postal Service, accessed [2/23/22](#)
9 U.S. Postal Service, accessed [2/23/22](#)
10 “Postal Banking: How The United States Postal Service Can Partner On Public Options,” University of Michigan, [May 2021](#)
11 “Providing Non-Bank Financial Services for the Underserved,” U.S. Postal Service Office of Inspector General, [1/27/14](#)
12 “Customer Perceptions of the U.S. Postal Service During the COVID-19 Pandemic,” U.S. Postal Service Office of Inspector General, [4/9/21](#)
13 Pew Research Center, [4/9/20](#)

Americans' Perceptions of USPS, 2020



Source: U.S. Postal Service Office of Inspector General

Despite its broad popularity, USPS has faced well-documented financial struggles over the last several years, losing \$92 billion between fiscal years 2007 and 2021.¹⁴ This is primarily because of hits to its revenue in the form of declining mail volumes, as well as higher compensation and benefits costs and increased unfunded liabilities and debt.¹⁵ While USPS did receive a \$10 billion emergency loan from Congress amid the COVID-19 pandemic, the Postal Service generally receives no taxpayer money to help with operating expenses, relying instead on the sale of postage and other products and services to keep itself afloat.^{16, 17}

THE SOLUTION: THE POSTAL BANKING ACT

Establishing a postal banking system could enable Congress to address the above challenges. The Postal Service already provides a limited range of financial products such as money orders, prepaid cards, international money transfers, and Treasury check cashing, which are profitable overall.^{18, 19} The *Postal Banking Act* would broaden these offerings to include low-cost checking and savings accounts, ATMs, mobile banking, expanded check cashing, automatic bill-pay, low-interest loans, and other basic products, enabling Americans to access a wide array of inexpensive, secure financial services from the convenience of their local post office.

While this idea is innovative, it is far from unprecedented. Postal services in nearly 140 countries currently offer some form of financial services,²⁰ and USPS itself actually operated a postal bank, known as the U.S. Postal Savings System (PSS), throughout much of the 20th century. From 1911 until 1967, individuals nationwide could make deposits into savings accounts at designated post office branches, drawing in a considerable amount of money that was previously hidden under mattresses and elsewhere in people's houses. The PSS peaked at more than 4 million customers with nearly \$3.4 billion in savings deposits. It was ultimately discontinued not for a lack of effectiveness, but because banks began increasing the competitiveness of their own products.^{21, 22}

14 2021 Form 10-K, U.S. Postal Service, [11/10/21](#)

15 "U.S. Postal Service: Congressional Action Is Essential to Enable a Sustainable Business Model," Government Accountability Office, [5/7/20](#)

16 Brookings Institution, [8/26/20](#)

17 U.S. Postal Service, accessed [2/23/22](#)

18 "The Road Ahead for Postal Financial Services," U.S. Postal Service Office of Inspector General, [5/21/15](#)

19 "U.S. Postal Service: Expanding Nonpostal Products and Services at Retail Facilities Could Result in Benefits but May Have Limited Viability," Government Accountability Office, [3/10/20](#)

20 NBC News, [3/27/21](#)

21 "Reforming the U.S. Postal Service: Background and Issues for Congress," Congressional Research Service, [8/25/16](#)

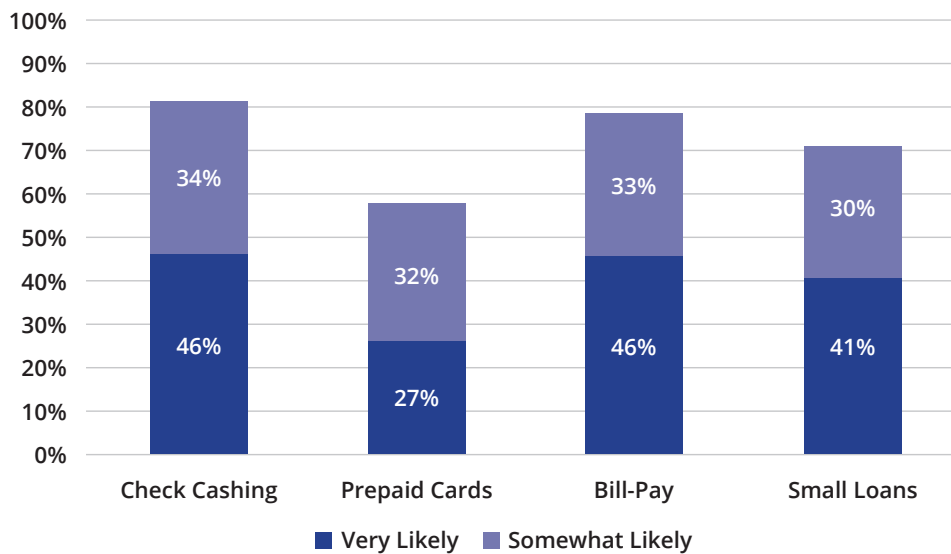
22 U.S. Postal Service, [July 2008](#)

The data indicates that postal banking would have wide-reaching positive effects. In October 2021, the office of Senator Gillibrand obtained data from the Federal Deposit Insurance Corporation (FDIC) and updated preexisting calculations to assess the potential impacts of postal banking, both for consumers and for USPS. Below are the office’s findings.

AT LEAST 1.5 MILLION NEW YORK HOUSEHOLDS AND MORE THAN 25 MILLION HOUSEHOLDS NATIONWIDE STAND TO BENEFIT FROM POSTAL BANKING.

Evidence suggests that a postal banking system would help meet the needs of the unbanked and underbanked. Many of the financial products that they utilize as an alternative to mainstream banking charge hefty fees and massive interest rates, often trapping them in a cycle of debt.^{23, 24} However, in a 2014 survey, underbanked Americans indicated that they would be likely to use a range of financial products if offered by the post office at a lower cost, such as check cashing (81%) and bill-pay (79%). Additionally, 77% of Americans without a bank account or who used alternative financial services reported having positive feelings toward USPS, and 64% agreed that postal banking would “expand access to safe financial products for low- and middle-income Americans.”²⁵ If the financially underserved are given the opportunity to access the products that they need in a place that they trust and at a lower cost, the odds are good that they’ll take it.

Likelihood of Using Lower-Cost Postal Financial Products, Among Current AFS Users, 2014



Sources: Pew Charitable Trusts; U.S. Postal Service Office of Inspector General

According to figures provided by the FDIC, 1.5 million New York households (19.6%) used at least one non-bank financial product or service in 2019, including payday loans, pawn shop loans, rent-to-own, refund anticipation loans, auto title loans, check cashing, money orders, or bill-pay. In other words, 1.5 million households in New York are underserved by our current banking system, meaning that they stand to benefit from – and are likely to take advantage of – the expansion of postal financial products. Nationwide, that number is 25.8 million households.

23 NPR, [3/26/15](#)

24 U.S. News, [1/15/21](#)

25 “The Post Office and Financial Services,” Pew Charitable Trusts, [7/16/14](#)

Potential Postal Banking Beneficiaries, 2019

Non-Bank Product/Service Used	New York		United States	
	Number	Percentage	Number	Percentage
Money order	1,048,000	13.3%	15,619,000	11.9%
Bill-pay service	481,000	6.1%	6,431,000	4.9%
Check cashing	386,000	4.9%	7,219,000	5.5%
Payday loan	55,000	0.7%	1,969,000	1.5%
Refund anticipation loan	55,000	0.7%	1,050,000	0.8%
Rent-to-own service	47,000	0.6%	1,575,000	1.2%
Auto title loan	39,000	0.5%	1,181,000	0.9%
Pawn shop loan	32,000	0.4%	1,706,000	1.3%
Unduplicated total: used a non-bank financial product or service	1,542,000	19.6%	25,789,000	19.6%

Source: Federal Deposit Insurance Corporation

While AFS users are an effective proxy for potential postal banking beneficiaries, it's likely that the total number of people who would utilize the system is actually much higher. In 2016, fully 1.5 billion people worldwide accessed some form of financial services through a postal operator.²⁶ Furthermore, the USPS OIG has noted that because the Postal Service already has a base of repeat customers from the very limited financial products it currently offers, these individuals would also be likely to benefit from an expanded suite of services, whether they're underbanked or not.²⁷

POSTAL BANKING COULD GENERATE NEARLY \$19 BILLION IN ANNUAL REVENUE FOR USPS.

Beyond just expanding access to secure financial products, instituting a postal banking system would be a substantial revenue raiser for USPS. Global data again proves instructive here: according to the Universal Postal Union, postal operators around the world make an average of 18% of their income from the sale of financial services.²⁸

In 2014, the USPS OIG released a report calling postal financial services “the single best opportunity for new revenue.” They estimated that postal banking could bring in \$8.9 billion for USPS each year – 10% of the \$89 billion that financially underserved consumers, such as the unbanked and underbanked, were spending annually on interest and fees for financial services (largely alternative financial services).^{29, 30} In the years since, the AFS industry has grown massively, such that financially underserved consumers spent \$189 billion in fees and interest on financial products in 2018.³¹ Applying the OIG's same 10% estimate, this would translate to \$18.9 billion per year in postal banking revenue, with the potential for more as the demand for financial services among the unbanked and underbanked continues to rise.

26 “Global Panorama on Postal Financial Inclusion 2016,” Universal Postal Union, [8/1/16](#)

27 “The Road Ahead for Postal Financial Services,” U.S. Postal Service Office of Inspector General, [5/21/15](#)

28 “Postal Economic Outlook 2021,” Universal Postal Union, [November 2021](#)

29 “Providing Non-Bank Financial Services for the Underserved,” U.S. Postal Service Office of Inspector General, [1/27/14](#)

30 “2012 Financially Underserved Market Size Study,” Center for Financial Services Innovation, [12/1/13](#)

31 “2019 Financially Underserved Market Size Study,” Financial Health Network (formerly the Center for Financial Services Innovation), [12/20/19](#)

CONCLUSION

Our current banking system is leaving behind nearly one in five adults in the U.S. A lack of accessibility and trust are turning underserved Americans toward expensive and risky means of managing their finances, with millions relying on products like payday loans or check cashing services that charge exorbitant fees and interest. The *Postal Banking Act* would capitalize on USPS' wide reach and high approval rating to increase the availability of reliable, low-cost financial products for such consumers and the broader population, creating a significant source of revenue for USPS in the process.

According to the USPS OIG, the Postal Service “is well positioned to provide non-bank financial services to those whose needs are not being met by the traditional financial sector.”³² Congress must pass the *Postal Banking Act* to ensure that USPS lives up to its fullest potential: utilizing its current infrastructure to help the greatest number of people meet their basic needs, all with unbeatable convenience.

32 “Providing Non-Bank Financial Services for the Underserved,” U.S. Postal Service Office of Inspector General, [1/27/14](#)

APPENDIX

Use of Non-Bank Products or Services by State, FDIC Data, 2019

State	% of Households	# of Households	State	% of Households	# of Households
Alabama	23.4%	481,892	Montana	18.6%	85,575
Alaska	17.2%	47,841	Nebraska	18.8%	139,671
Arizona	17.5%	508,903	Nevada	29.9%	402,943
Arkansas	28.1%	337,134	New Hampshire	11.9%	65,097
California	16.2%	2,323,191	New Jersey	17.2%	570,494
Colorado	16.5%	403,291	New Mexico	27.6%	228,745
Connecticut	18.9%	288,086	New York	19.6%	1,542,034
Delaware	14.8%	65,238	North Carolina	19.7%	861,833
District of Columbia	20.1%	73,077	North Dakota	20.2%	62,302
Florida	24.2%	2,211,263	Ohio	15.0%	697,742
Georgia	25.0%	1,035,010	Oklahoma	26.8%	432,266
Hawaii	16.9%	84,970	Oregon	18.6%	339,206
Idaho	21.9%	153,648	Pennsylvania	18.1%	951,552
Illinois	18.4%	984,365	Rhode Island	13.5%	59,495
Indiana	21.2%	585,869	South Carolina	22.6%	470,468
Iowa	11.3%	148,940	South Dakota	19.8%	70,261
Kansas	21.4%	244,678	Tennessee	20.2%	562,609
Kentucky	18.2%	334,950	Texas	24.9%	2,587,858
Louisiana	29.0%	564,100	Utah	19.5%	214,468
Maine	11.1%	67,084	Vermont	16.4%	42,575
Maryland	18.9%	448,667	Virginia	18.5%	668,087
Massachusetts	15.3%	429,769	Washington	16.2%	494,339
Michigan	19.4%	820,097	West Virginia	23.0%	174,848
Minnesota	10.7%	256,665	Wisconsin	9.9%	249,409
Mississippi	30.2%	362,447	Wyoming	21.1%	50,881
Missouri	20.0%	503,563			
Total					25,789,494

Note: Non-bank products and services include the following: payday loans, pawn shop loans, auto title loans, rent-to-own services, refund anticipation loans, money orders, check cashing, and bill-pay services.



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