

MAY 2023

# Banking Fair

THE PROMISE AND URGENCY  
OF DOING **POSTAL BANKING** RIGHT









# About

## The Save the Post Office Coalition

The Save the Post Office Coalition represents over 300 public interest groups that came together when Louis DeJoy was appointed Postmaster General and began slowing down the mail. We are fighting to protect and expand the postal service.

The coalition's membership ranges from national groups like Public Citizen, ACLU, NAACP, Indivisible, MoveOn, Color of Change, the American Postal Workers Union, National Farmers Union, VoteVets, and RuralOrganizing.org, to state groups like Mainers for Accountable Leadership, Alaska PIRG, and Kentuckians for the Commonwealth. **Follow The Save the Post Office Coalition at [takeonwallstreet.org](http://takeonwallstreet.org), on Twitter @TakeOnWallSt, and using #savethepostoffice.**



## Take on Wall Street

The Take on Wall Street coalition came together to build a financial system for working families – white, Black, and brown – not the big Wall Street banks. Our mission is to envision a better financial system together, train activists, cultivate political champions, and deliver policy change to restore the financial sector to its rightful place in service of the real economy. **Follow TOWS at [takeonwallstreet.org](http://takeonwallstreet.org) and on Twitter @TakeOnWallSt.**



## Americans For Financial Reform Education Fund

Americans for Financial Reform Education Fund (AFREF) is a nonpartisan, nonprofit coalition of more than 200 civil rights, community-based, consumer, labor, business, investor, faith-based and civic groups, along with individual experts.

Our mission is to fight to create a financial system that deconstructs systemic racism and inequality and promotes a just and sustainable economy. **Follow AFREF at [ourfinancialsecurity.org](http://ourfinancialsecurity.org) and on Twitter @RealBankReform.**



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# Executive Summary



The U.S. Postal Service (“USPS” or the “Post Office”) has come under attack since the rise of neoliberalism in the 1970s. The logic of free-market fundamentalism has tried to recast the USPS as a business, even though the agency’s public mission—guaranteed universal service at an affordable price point—was established within the first sessions of Congress at Independence Hall in Philadelphia, and authority for the Postal Service was enumerated in the U.S. Constitution, where it remains today.

Advocates and postal workers have fought back against challenges to USPS’s special role in our democracy, rolling back attacks through legislative victories like the Postal Service Reform Act, which removed excessive financial requirements to pre-fund benefits, and paved the way for new non-postal services. Banking and postal experts have pushed to restore and expand financial services offered at the Post Office as a way to counter the racist and exclusionary practices of the mainstream private banking sector.

The urgent need for an equitable and accessible public option for basic banking is clear. Nearly 10 million U.S. adults do not have a bank account.<sup>1</sup> Unbanked individuals spend up to \$2,400 on fees each year just to access their hard-earned money. In this profoundly regressive system, it is more expensive for low income people and Black, Indigenous, and other people of color, who have historically been excluded from the mainstream financial sector through racist policies, to bank than it is for the wealthy.<sup>2</sup>

The Post Office is an ideal place to offer a public banking option, thanks to its trained workforce, public interest mission, high level of public trust, and over 30,000 locations in communities across the country. And there is historical precedent: the Postal Savings Program ran from 1911 to 1967, with a core base of immigrant users.<sup>3</sup>

The new check-cashing pilot program, part of a broader postal banking pilot, will be an essential first step in restoring this vision.

It has enormous potential if done with an eye towards affordability and accessibility in low-income, remote, and Black, Indigenous and immigrant communities.

However, the current check-cashing program has been halted at its initial testing phase. This pilot runs the risk of making the same mistakes as the existing financial services offered in post offices, which have failed to keep up with technological advances and have become inaccessible and more expensive due to Postmaster General Louis DeJoy’s extreme price hikes. The test-run is only active in four locations, many of which don’t match the characteristics of unbanked communities. The program is too limited in scope, only allowing individuals to cash payroll checks under \$500.

And the use of a third-party private equity owned intermediary, Blackhawk Network Holdings Inc., makes the fees too high to be a viable alternative to fringe financial service providers or Walmart.

This paper examines the limitations of the current suite of financial services available at the USPS, and offers suggestions for both how to improve and expand the products on offer. It finds that the existing money order program costs double what it does at Walmart, and that the remittance program has recently been sabotaged through triple-digit price increases.

Postal banking, done right, is key to the Post Office’s future. These new sources of revenue and foot traffic would help secure the USPS’s financial future, and ensure the provision of fair and equitable services for all of us.

Banking services could become the anchor for a wide variety of expanded wrap-around services that could help create vibrant community centers in communities across the country, a vision to protect and expand the post office further laid out in the [Peoples’ Postal Agenda](#).





## Introduction

Approximately 10 million adults in the U.S. do not have a bank account of any kind.<sup>4</sup> To access the financial services ordinarily provided by banks, these individuals, a disproportionate number of whom are people of color, have to pay non-bank financial servicers exorbitant sums every year for access to basic services like bill payments, money orders, ATM withdrawals, check cashing, and international remittances.

Unbanked households dole out \$2,400 annually on fees to meet all their financial service needs,<sup>5</sup> an amount equal to one or two months of rent for many families.<sup>6</sup>

However, there is an effective and powerful solution. Thanks to committed organizing by postal workers and advocates, the U.S. Postal Service (USPS or "Post Office") is developing a postal banking pilot program to make common financial services available at every post office location, which should make them much more accessible and affordable.

The law currently permits USPS to offer the specific services listed above,<sup>7</sup> but these are by no means a full representation of the need: ultimately, the Post Office should offer free checking and savings accounts. But the big banks, Republican elected officials, and a conservative postal regulatory apparatus are making every effort to stymie even the first round of this pilot, a new check-cashing program, before it can get past its IT-testing phase.

An expanded public sector option for day-to-day financial transactions is antithetical to the neoliberal agenda that has falsely tried to portray the USPS as a business instead of a service since the 1970 Postal Reorganization Act. Under the Trump administration, this attack on the public sector intensified, with several reports explicitly calling for the privatization of the Post Office.<sup>8</sup>



This paper offers a grounded examination of the current proof-of-concept test phase of the new USPS check-cashing program, which is one crucial step in fighting back against these craven attempts at dismantling the public sector apparatus. Although the test phase is extremely narrow in scope, centered on a single new check-cashing service that is currently only available in four locations nationwide, it still offers an opportunity to examine some of the design flaws of the current iteration of this test run, and the bureaucratic obstacles that led here.

The paper begins with a short overview of the state of the unbanked crisis, and reiterates that postal banking is the equitable way to meet the moment. It then explores the vigorous opposition to even the check-cashing program by the banks and their Republican advocates, who fear what a true postal banking pilot would do for their privatization agenda.

Next, the paper examines the test run's pricing structure, as well as the pricing structure of other non-bank financial services offered by the Post Office, and situates it in the context of an original survey of the current cost of many financial services.

The report closes with a vision of the Postal Service as a hub for universal public services, arguing that a full postal banking pilot is an essential next step for getting us out of the unbanked crisis.

Our survey finds that the **major limitations of the check-cashing pilot program as currently designed are:**

- a reliance on a third-party private-equity owned provider;
- products that are priced too high;
- locations that do not all adequately reach the unbanked; and
- the absence of a digital option.

Furthermore, we find a troubling pattern of rate increases to the existing financial services offered by the Post Office, lines of business that the USPS's current rightwing leadership essentially wants to eliminate.

These price hikes have left current postal banking options non-viable when compared to private sector competitors. Prices for money orders are five percent higher than average prices at fringe financial service providers, and run double the rate of the cheapest options in each category.

Remittance pricing has surged to nearly seven times what it costs at other providers, which specifically harms immigrant workers.





Someone wanting to send home \$200 a month to their family, or \$2,400 per year, would end up spending an additional **\$830 in fees** if they tried to do so through the Post Office's Dinero Seguro program: an absurd proposition.

Such price increases are advanced under the pretext of making the Post Office's future more secure. But the real way to ensure that the Post Office becomes an even more vibrant and central part of public life is to expand, not contract, the services on offer.



In return, the Post Office will gain an important stream of revenue that can help ensure its future. As a 2014 USPS Office of the Inspector General report found,

"[a]round the word, financial services are the single biggest driver for new revenue for postal operators...If just 10 percent of the money underserved Americans currently spend on alternative financial services were instead spent on more affordable products from the Postal Service, it could generate some \$8.9 billion in new revenue [per year]."<sup>9</sup>

Such an effort would help secure racial and economic justice for the over half a million postal workers—39 percent of whom are people of color and 40 percent of whom are women—who ensure everyone has access to essential services, and make important inroads into correcting the historical racial inequities that shape the U.S. financial system to this day.<sup>10</sup>



# A two-tiered financial system

Like the financial system overall, the U.S. banking system is designed to serve the well-off and financially secure, who can access their money easily and without cost, while failing to provide accessible and affordable financial services to everyone else.

Racist and classist rules and guidelines based on exclusionary logic, such as minimum balance requirements, make traditional banks expensive, inaccessible, and often predatory towards those who simply cannot afford to meet such standards—a disproportionate share of whom are people of color.

As a result, millions of households in the U.S. today live without direct access to the essential financial services banks provide.

These unbanked populations are driven away from predatory and expensive traditional bank accounts and now must pay fees to unscrupulous servicers—often adding up to hundreds or even thousands of dollars a year—to use their own money.<sup>11</sup>

In addition to significant public mistrust of private banks, several other barriers prevent many people from opening bank accounts, including widespread deserts of brick-and-mortar banks, and high fees and minimum balances that make having a bank account inconvenient, expensive, and impractical.<sup>12</sup>

Capricious overdraft fees are a source of constant stress and can send many into a spiral of owing money they do not have.



## Karen, Texas:

"For over 20 years my bank never charged overdraft fees if this was needed. Then last year they began charging \$11 every time this services is needed.

This is all done by computer and should be a free service, not a penalty. I am on a fixed income, with Social Security and cannot time when money goes into my account.

These and other exploitative junk fees charged by banks have become widespread, and because the most vulnerable are the ones living on the financial edge, these banks are often preying on the people who can least afford it."





## Mandla, D.C.

"I understand banks are a tool that we have to use in our society, but I'm also under no illusion of what they are doing and who they think is worth preying on.

I think having that experience being 18 years old back in 2002, 2003, and then seeing the financial collapse come about, it was almost like I [...] seeing 2008 happen, and seeing the financial collapse and the impact it had on my family and people I knew— it only reaffirmed what I thought already—which are that banks will engage in predatory schemes, particularly on people who cannot—who do not have any other options."

Nearly one in twenty U.S. households (4.5 percent) were unbanked in 2021, according to the Federal Deposit Insurance Corporation (FDIC).<sup>13</sup> This was the lowest rate since 2009, with many people citing the need to collect government benefits (likely related to the COVID-19 pandemic) as the reason they opened a bank account.<sup>14</sup>

As this relief program comes to an end, people may close down their accounts if they are unable to maintain minimum balances or meet other onerous requirements.

Overall, despite this expansion, 10.4 million adults are still living without any checking, savings, or other bank account—about the same as the adult population of Pennsylvania.<sup>15</sup>

Because banking has been structured to be more expensive for those with less money, lower-income people are more likely to be unbanked: one fifth (19.8 percent) of households with family incomes below \$15,000 a year and 9.2 percent of those earning between \$15,000 and \$30,000 have no bank account.<sup>16</sup>

People of color are also far more likely to be unbanked. One in 11 (9.3 percent) Hispanic households, one in nine (11.3 percent) Black households, and one in 14 (6.9 percent) Native American households were unbanked in 2021, compared to only one in 47 white households (2.1 percent).<sup>17</sup>

The banking industry's high minimum bank balance requirements and high and unpredictable fees for low balance accounts, such as predatory overdraft fees, are the primary reasons people cite for not having a bank account.<sup>18</sup> For a poor person, it is simply too expensive to access traditional banks.

Furthermore, 13,483 bank branches have closed their doors since the number of bank locations peaked in 2009,<sup>19</sup> and the closures have been concentrated in nonwhite urban neighborhoods as well as rural areas.<sup>20</sup> Fringe financial companies that charge the highest rates and fees tend to be concentrated in communities of color and lower-income areas,<sup>21</sup> while traditional banks have largely abandoned these neighborhoods.<sup>22</sup>

Thus, as a result of mainstream exclusion, unbanked families are forced to access money through more precarious, expensive, or time consuming methods. Many "bank" through relatives and friends that have bank accounts (signing over paychecks in exchange for cash, for example). Others are forced to rely on high-priced, non-bank financial transaction services for their everyday financial affairs.<sup>23</sup>



## Charlie, California:

"Somebody broke into my car, they stole my checkbook and they wrote bad checks, overdrew my account, I wasn't responsible for it—I was robbed, and it wasn't easy—but I did get the money that was stolen from me back. What I didn't get, however, is that the bank at multiple times during this process overdrew my account and when they ended up repaying my account with the money that was stolen, what they didn't do is overturn all of the different overdraft charges that they had charged me for having my account be below zero.

This was not fair to me, absolutely not, I was also struggling at the time and so I couldn't afford to pay those overdraft fees. I went for weeks on end where I had to borrow money from friends and family while I was waiting for the bank to pay me back for the money that was stolen out of my account, but then I didn't have the money to be able to fix these overdraft fees, so it stayed in default.

They refused to fix it, I fought with them, spending hours and hours on the phone, and they never fixed it. Eventually they closed my account, and then they reported me to check systems—and what that meant is that it made it so I couldn't bank.

Everywhere I went to try and get a new bank account, at Bank of America, or at Chase, or the local banks—they wouldn't take me. I couldn't get anybody to take me because I couldn't get cleared from check systems."



The lack of easily accessible depository institutions and lack of affordable bank account options leaves communities of color and low-income people at a severe disadvantage when performing the ordinary and essential financial transactions of life in the U.S. economy (cashing paychecks, paying bills, and accessing cash).

Many people are forced to regularly dole out large fees to fringe financial services companies just to pay bills and rent, while more affluent individuals pay nothing to access these mundane but essential financial services.

These high fees amount to a regressive tax on low-income people that make it harder for them to build wealth, contributing<sup>24</sup> to America's racial and economic inequality and widening the racial wealth gap.<sup>24</sup>



### Rachelle, Washington, DC:

"Most homeless individuals do not have ID or have expired ID, so I was unbanked. It does feel like the end of the world when you're unbanked, because it feels like there's no way to save, there's no way to start building a future, other than what you have on the street, and it feels hopeless."

# A public option is the only way to guarantee universal access to basic financial services



Everyone should be able to access their money at minimal cost, with no tricks or traps. Predatory and confusing bank practices rules and guidelines make conventional American banking expensive and impractical for many. Those financially secure and stable enough to have access to mainstream banking services don't worry about things like cashing a check; while those who don't have access must pay ridiculous fees for basic services that are free for a more privileged segment of society.

In a profoundly regressive arrangement, people are charged more for having less income or wealth, which then compounds and exacerbates existing racial and economic inequality. Peoples' need to access their money should not be a profit-making opportunity for predatory businesses to further strip wealth from the most vulnerable in society. Individuals of all social and economic backgrounds must have equal access to their money as a prerequisite for a just economy.

Ever since the New Deal introduced federal deposit insurance to guarantee private bank deposits up to a certain amount, it was anticipated that nearly all households would ultimately be served by traditional banks. This promise has simply not materialized. The current bifurcated banking system – with its cheap or free options for those with money, and expensive and limited options for those without – is unlikely to become more affordable for low-income households on its own. Even one of the more high profile voluntary initiatives for banking the unbanked and underbanked, BankOn, a partnership between banks, local governments, and philanthropy intended to expand access to bank accounts, has been in development for nearly two decades.

At present, it still only features the participation of fewer than 400 banks out of 10,000 banks in operation in the US.<sup>25</sup> This decades-long market failure—the unrealized goal of affordable banking for all households—provides the quintessential use case for a retail banking public option.

The development of Social Security was a commitment to the vision that seniors in this country have the right to live out their final years in financial security, not in abject poverty or working until they die. A public option was necessary to guarantee these outcomes. Similarly, equitable access and transfer of one's own money is a basic component of financial wellbeing for the most vulnerable in our economy, and the only universal approach that can guarantee this outcome for retail banking is a public option.

It can be hard for many of us raised in the age of privatization to conceptualize a public option as the alternative to exclusive mainstream banks or predatory inclusion, even as international examples abound. Perhaps the best extant example of a public option is the public library, funded by governments as an incontrovertible public good and guaranteeing universal public access to needed services. But there is an even more pertinent domestic model: the Postal Savings System that was established in 1911. Although that program was discontinued in 1967, today the United States Postal Service (USPS) continues to provide a limited number of financial services across its robust nationwide network. The USPS has for decades sold money orders, an important paper check option for people without checking accounts, with a value of up to \$1,000 for fees ranging between \$1.45 and \$1.95.



The Post Office also offers international wire transfers called DineroSeguro (Sure Money), allowing customers to wire currency to a limited number of countries in Latin America.<sup>26</sup>

These popular and widely trusted services provide important financial tools for people without bank accounts,<sup>27</sup> and can serve as a model for expanding the banking services the Post Office could offer in a public option for retail banking.

Postal banks can and should be the most accessible and affordable provider of financial services. One significant factor obstructing access to traditional banking for many is a lack of access to a physical bank location. With more than 30,000 post offices across the country, including more than 17,000 located in banking deserts, postal banking is the simplest and most obvious remedy for the unbanked's struggles.<sup>28</sup>

In addition to their physical network, the Post Office is well situated to meet this need because it is a trusted public institution with a history—both in the United States and around the world—of providing such services.<sup>29</sup> Yet this potential can only be fulfilled if services are priced, as they can be, at low to no cost, and if the locations selected increase access for the communities most in need of such services. Such a program could help millions of households save thousands of dollars on fees and face a significantly lighter load, revolutionize American banking, and aid the communities who need it most.

A public option for banking would be explicitly non-exploitative, meaning an end to \$35 overdraft fees and other so-called “junk” fees.<sup>30</sup> It would not harvest consumer data or serve as a surveillance tool—to ensure privacy, customers could elect to have access to either a bank account on the ledger, a reloadable card that is not on the ledger, or both.

The accounts would not be used as a method for enticing customers into higher cost predatory services like small dollar loans with outrageous interest rates.



This type of equitable access to financial services is a necessary step in the fight for racial justice. In 2021, around 11.3 percent of Black households, 9.3 percent of Hispanic households, and 2.1 percent of white households were unbanked.<sup>31</sup> Over the course of 30 years, these Black and Hispanic households are wasting anywhere from \$16,600 to \$86,000 on financial fees.<sup>32</sup>

Every dollar siphoned off widens the racial wealth gap and cuts communities of color off from opportunities for wealth building. The inequity of the American banking system burdens households of color with cumbersome fees and yet another unjust systemic disadvantage. Eliminating this barrier is crucial to dismantling systemic racism and guaranteeing equal opportunity.

## The 2021 check-cashing test-run

In light of the crisis of underbanking, advocates have explored creative ways to meet this need while reinvigorating the idea that public institutions are the best way to guarantee universal access to basic goods and services. The Postal Service has launched a very limited program to offer additional financial services in four locations to test the concept of offering these services at post offices nationwide.

The check-cashing program at a single location in each of four states (Baltimore, MD; Bronx, NY; Falls Church, VA, and Washington, DC) allows customers to deposit payroll and business checks of up to \$500 onto a Visa gift card for a flat fee of \$5.95.<sup>33</sup> Postal leadership has indicated that, assuming the Postal Regulatory Commission permits a full pilot to proceed,<sup>34</sup> it intends to expand it to include domestic and international wire transfers/payments and bill payments at as many as 50 post offices within the same geographies.<sup>35</sup>

Language before Congress and the USPS's Inspector General's recommendations have separately recommended adding free or low-fee ATMs to round out the list of "non-bank financial services" that post offices can offer with no change to current laws.<sup>36</sup> These services would complement the USPS' existing money order program.

However, adherents of free-market fundamentalism have long sought to privatize the Post Office, not revitalize it, and even a modest effort like the check-cashing program is a threat to that agenda. Trump-appointed Postmaster General Louis DeJoy's 10-year plan is a plan for privatization, threatening service cuts, branch closures, and untenable price increases.<sup>37</sup> The Republican dominated Postal Regulatory Commission (PRC) has opened up multiple reviews of the check-cashing program in an attempt to halt the rollout in 2022.<sup>38</sup> Thanks to this spurious legal review, the check-cashing program has been paused at the initial IT-testing phase at four locations.

The PRC has also made information requests in this phase in an attempt to discredit the program by showing there has been little demand. Of course, IT-testing is primarily an internal-facing process designed to determine technological workflows, and is not considered the right phase to measure effective demand for a new program under standard evaluation practice.

But conservative stalwarts like the Cato Institute,<sup>39</sup> industry front groups like the Independent Community Bankers of America,<sup>40</sup> and Wall Street-backed Republicans like Rep. McHenry and Senator Boozman have used this as a pretext to call for the shutdown of a pilot that has not even launched yet.<sup>41</sup>

Unfortunately, in addition to these political machinations, a few design factors have also limited the initial impact of the program's rollout, and only a few individuals have used the new services. First, the four locations were a proof of concept to test the technical systems and customer services workflows needed to cash the checks.<sup>42</sup>

The full program was supposed to cover full markets through 50 locations across the four original cities. But in June 2022, the Postal Regulatory Commission suddenly opened a docket to investigate the program, thereby halting the program before its full rollout.

Second, even for the four test locations, the USPS did not market the program, except to place signs in the windows of the four specific sites. This meant that no other customers in the region could even know such a service was offered nearby.

Third, the specific locations did not adequately represent the different types of geographies that the USPS's 31,000-branch strong network services—notably, there was no rural location included. Finally, at \$5.95 for a \$500 check, the current price for the check cashing service is much too high, as discussed in greater detail below.



# Current postal financial services are not affordable or complete enough to meet the needs of the unbanked



For postal banking to be a viable option for the millions of people who are unbanked, the U.S. Post Office must work diligently to create services that address peoples' primary financial service needs, are at accessible locations, and are also low-cost relative to third-party servicers. At present, the prices for most of the financial services available through the Post Office exceed the average prices at private businesses by at least five percent, and cost twice as much as the lowest price option.

There are, of course, non-price dimensions that may make a non-profit option favorable even with these price differentials, including the absence of "upselling" tactics that take advantage of a captive customer base to market additional, unnecessary and highly priced financial products, and the fact that the USPS does not engage in hidden junk fees or other exploitative tactics favored by fringe financial service providers.

If a share of the revenue earned on these financial services goes to strengthen one of the most trusted public institutions in the country, this may justify certain price points.

Nonetheless, making any postal financial service products more accessible and affordable than other options is essential—only then can the postal banking program achieve the goal of alleviating the effects of an exclusionary banking system.

In this section, we survey retailers, banks, check-cashers, and money transfer services to assess the average costs to access the basic financial services being considered for a more expanded postal banking pilot program. **We find that the Post Office's pricing is between 5.4 and 6.5 percent higher than the market average for check-cashing and money orders, and over 300 percent higher than the average cost for remittance payments.**

These high fees represent a tax on low-income people—disproportionately Black, Hispanic, and Native people—for accessing their own money.<sup>43</sup> These fees contribute to the racial wealth gap as Black, Hispanic, and Native families pay more for the ability to perform basic financial transactions than more affluent white families.

A better designed postal banking program would be able to relieve this financial burden, but first, the prices for postal financial products need to be brought in line with need.



## Methodology

This survey examines the typical costs of cashing paychecks received on a biweekly pay schedule (typically 26 paychecks per year),<sup>44</sup> making 12 monthly rent and utility payments (electric and gas) with money orders and money transfer services, accessing a stored-value ATM card twice a month for a family earning \$20,000 annually (\$16,070 after taxes),<sup>45</sup> and sending remittances home through international transfers.

These services are some of the most frequently used by households without bank accounts.<sup>46</sup>

These cost estimates are based on a survey of reported fees and charges on corporate websites of non-bank financial services providers, conducted in March 2023. This is likely a low estimate as it cannot account for the specific additional fees that are frequently tacked onto these services.

This survey estimates costs primarily at larger national chains; smaller storefront check cashers and other fringe financial companies are likely to charge even higher prices for these services. Even many larger chains do not disclose their fees or charges on their websites, but this survey provides a reasonable estimate of typical fees paid by consumers.



## Check Cashing: Annual average cost of cashing paychecks anywhere from \$277 to \$650

### Janice, Maryland:

"I was unable to open a bank account and had no choice but to pay someone to cash my check. I was powerless and at the mercy of whoever would cash my check and at their mercy of how much they chose to charge."



The cost of cashing a paycheck for unbanked low-income workers quickly eats into their income.

The estimated cost of cashing biweekly paychecks for someone earning \$20,000 annually is \$293—ranging from nearly \$643 at check cashers such as the Check into Cash chain to under \$200 at the least expensive bank for non-customers.

These costs amount to 1.8 percent of a person's take-home pay just to access their money—or as much as 4.0 percent at the most expensive check cashers (see Table 1).



**Table 1: The High Cost to Cash Checks for Unbanked Consumers**

Type	Company	Fee Low	Fee High	Median	Flat Fee	Notes	Cost to cash \$618 Paycheck	Annual Cost (26 checks)	Share of 16,070 in Take-Home Pay
Check Cashers	Check Center*	2.3%	4.0%	3.1%	-	-	\$19.28	\$501.32	3.1%
	Check into Cash	3.0%	5.0%	4.0%	-	-	\$24.72	\$642.72	4.0%
	Speedy Cash	2.0%	2.5%	2.3%	-	minimum fee is \$2	\$13.91	\$361.53	2.3%
	PLS Financial Services	1.0%	-	1.0%	\$1.00	1% + \$1	\$7.18	\$186.68	1.2%
Retailers	Walmart	\$4	\$8	-	\$4.00	\$4 under \$1K; \$8 for \$1K-\$5K.	\$4.00	\$104.00	0.6%
	Safeway		-		\$2.25	\$2.25 per \$200	\$9.00	\$234.00	1.5%
Banks (for non-customers)	Bank of America	-	-	-	\$8.00	-	\$8.00	\$208.00	1.3%
	JPMorgan Chase	-	-	-	\$8.00	-	\$8.00	\$208.00	1.3%
	Wells Fargo	-	-	-	\$7.50	-	\$7.50	\$195.00	1.2%
<b>Average Cost</b>							<b>\$11.29</b>	<b>\$293.47</b>	<b>1.8%</b>
Postal Banking Pilot	USPS				\$5.95	For checks up to \$500	\$11.90	\$309.40	1.9%

Sources: Corporate website advertised rates and reporting unless otherwise noted. \* Check Center fees excludes personal checks which cost 14.99 percent, customers with branded pre-paid card pay reduced rates.

People without bank accounts must find other establishments to convert their paper checks into cash through time-consuming transactions, or pay high fees at private banks as non-customers.

One-fifth (21.8 percent) of unbanked households use check cashing services, and of those, the vast majority (80 percent) cashed a check from work, retirement, or a government agency.<sup>48</sup>

These check cashing companies charge some of the highest fees (generally a percentage and often an additional fee) but may be easiest to access. There are thousands of check cashing outlets across the country, frequently concentrated in communities of color and low-income areas.<sup>49</sup>

Some large retailers will cash checks and some banks will do it for non-customers, typically charging a flat fee. Walmart has by far the cheapest fees for check-cashing, designed no doubt to entice customers into their stores with the expectation that they will spend a significant share of their paychecks on Walmart products.

This further enriches a company whose business model is focused on funneling resources to the top while a significant share of their low-wage workers have to rely on public assistance.<sup>50</sup> In 2022, the Walmart CEO earned \$25 million – 933 times as much as the firm’s median worker pay of \$27,136.<sup>51</sup>





### Angie, Washington, D.C.:

"There were some holes in there when I was in and out of a bank account. When I had those moments, I would go to the liquor store to cash my check.

When you take your check to the liquor store, they charge you two percent. So just imagine, you get \$500, and two percent of that, that's like \$10 right there that you're giving somebody. If you get paid every two weeks, that's \$20 a month, times twelve, that's \$240 a year that you're just giving away to somebody just to cash a check."

### The Postal Banking Option: Check Cashing

The current postal check-cashing program allows consumers to deposit payroll and business checks of up to \$500 onto a Visa gift card for a flat fee of \$5.95.<sup>52</sup> This is a higher price point than what major retailers or banks charge their non-bank customers, and even outstrips fees at one of national check cashers, PLS Financial Services.

The cost to cash an average paycheck using the postal banking product is five percent higher than the private industry average, and almost double what it costs at Walmart, indicating that the current check cashing program at the USPS is priced far too high to be a viable public option. The USPS has an opportunity to provide an alternative to Walmart, offering consumers decent rates on financial services while supporting good, middle class postal jobs.

Instead, the USPS should make creative use of federal tools such as the [Direct Express card](#) offered by the Treasury department, or explore possibilities with the Federal Reserve, in order to bring costs down and offer an affordable product.

# Money Orders: Annual cost of using expensive money orders to pay rent can amount to \$56 a year

People without checking accounts must often pay their rent with money orders, a secure paper transaction instrument that is like a check for people without checking accounts. Some banks and retailers offer money order services, as do many stores (including check-cashers and payday lenders) that offer money transfer services.

Currently, unbanked families can pay as much as 10 dollars in fees per month just to pay rent with money orders—usually needing more than one order due to limits on the total dollar amount of an individual money order. Such fees amount to an average of \$47 per year for unbanked individuals to use their own money to pay rent (see Table 2).<sup>53</sup>

This estimate is based on paying \$1,293 per month, the average rent for the states where the check-cashing program is currently operating (Maryland, New York, Virginia, and Washington DC).<sup>54</sup> Most places that sell money orders have a \$1,000 limit, requiring renters in this example to get two money orders.

## The Postal Banking Option: Money Orders

The Post Office currently sells money orders for \$1.95 for orders over \$1,000 and \$1.45 for orders from \$500 to \$1,000. The USPS money order program has historically been more affordable than other sources of money orders, and some businesses explicitly require postal money orders due to their security features.<sup>55</sup>

However, the postal money order program is in need of reform: postal money orders are currently more expensive than Western Union, almost twice the price of money orders at Walmart,<sup>56</sup> and cost 6.5 percent higher than the private sector average.

Yet the service has faced double-digit price increases thanks to the Postal Regulatory Commission. Meanwhile, the market for digital money orders has been on the rise.

As a result, revenue for the USPS from paper money orders is on the decline. As the Post Office's own Office of the Inspector General argued nearly a decade ago, the money order program needs to reduce its prices and modernize to include a digital option, such as general purpose reloadable cards, so this long-standing public option can remain viable.<sup>57</sup>



**Table 2: Money Order Fees to Pay \$1,293 Rent Bill**

Company	Amount	Limit	Total Monthly Cost	Annual Cost	Share of \$16,070 Take-Home Pay
Wells Fargo	\$5.00	\$1,000	\$10.00	\$120	0.7%
Speedy Cash	\$1.00	\$500	\$3.00	\$36	0.2%
Walmart	\$1.00	\$1,000	\$2.00	\$24	0.1%
MoneyGram	\$0.70	\$1,000	\$1.40	\$17	0.1%
Western Union	\$1.50	\$1,000	\$3.00	\$36	0.2%
<b>Average</b>	<b>\$1.84</b>	-	<b>\$3.88</b>	<b>\$47</b>	<b>0.3%</b>
U.S. Post Office	\$2.40	\$1,000	\$4.15	\$50	0.25%

Sources: corporate websites and media reporting. Postal money orders for between \$500.01 and \$1000 cost \$2.40 and for between \$.01 and \$500 cost \$1.75.

## Bill Payment: Cost of paying electric, phone and gas bills from \$50 to \$150 a year

People without checking accounts can be forced to pay utility bills through money transfer services like Western Union or MoneyGram, located in storefront and retail locations such as supermarkets, pharmacy chains, and check cashing outlets.

These services allow people to pay their utility bills directly, but the monthly fees add up over time. Even using the two most popular and common servicers, it still costs, on average, nearly \$80 annually to pay gas bills in cash, and over \$200 to pay with prepaid debit cards (over one percent of take-home pay for someone earning \$20,000) (see Table 3).<sup>58</sup>

An unbanked individual paying their monthly utilities through a prepaid debit card at MoneyGram will be charged a fee around \$16 a month.



The low end of these fees may not seem burdensome, but they are far higher than the cost of mailing a check for the same purpose (less than \$14 a year in stamps to pay two utility bills).

Consumers could go to their utility offices to pay their bills, but doing so can be time consuming and transportation costs can offset any savings. A 2021 Federal Reserve Bank of Kansas City study found that the cost of paying a \$100 bill in person at a non-bank financial transaction service could be anywhere from \$1.50 to \$12.99 (depending on the speed of delivery and whether it is paid with cash, check, or debit card).<sup>59</sup>

## Mandla, D.C:

“Check cashing was not something rare in my community, like I can just imagine back to that time and I can just think about 2 check cashing places within 4 or 5 blocks of my house.

The experience there was there were a lot of people in there, working people—it wasn’t just people my age—it was older people, and they were cashing checks, they were paying bills, and they were paying fees. As a person who might make \$300 dollars, or might make \$200 dollars, \$5 dollars doesn’t seem like a lot but it’s a fee that you shouldn’t have to pay for the convenience of being able to function in a society.”



**Table 3. Cost of Paying Three Utility Bills through Most Common Services**

Company	Payment Method	Monthly Utility Fee			Total (Electric + Gas + Phone)		Share of \$16,070 Take-Home Pay
		Electric	Gas	Phone	Monthly Cost	Annual Cost	
MoneyGram	In Person Cash	\$2.50	\$1.99	\$2.99	\$7.48	\$89.76	0.6%
	Pre-Paid Debit	\$6.49	\$6.49	\$2.99	\$15.97	\$191.64	1.2%
Western Union	In Person Cash	\$2.50	\$1.50	\$1.50	\$5.50	\$66.00	0.4%
	Pre-Paid Debit	\$6.49	\$4.49	\$6.49	\$17.47	\$209.64	1.3%
Average Cost	<i>In Person Cash</i>				<b>\$6.49</b>	<b>\$77.88</b>	<b>0.5%</b>
	<i>Pre-Paid Debit</i>				<b>\$16.72</b>	<b>\$200.64</b>	<b>1.2%</b>

Sources: Corporate websites.



### The Postal Banking Option: Bill Payment

At present, there is no option for bill payment through the USPS, though it is one of the core financial services that should be included in an expanded postal banking pilot.

The check-cashing reloadable payment card could become a multi-purpose card that could then be used to pay for bills in lieu of a debit card.<sup>60</sup>

Other examples, such as South Africa's Pay a Bill service, allow people to pay through a variety of payment methods both in person and online, with options to settle phone bills, purchases at retail stores, and municipal and government payments.<sup>61</sup>







## ATM Withdrawals: ATM fees could cost at least \$170 to \$240 a year

Consumers with bank accounts pay nothing to withdraw money from their own bank's ATM network but can face steep fees to use out-of-network ATMs—their own bank charges an out-of-network fee averaging about \$1.50, and typically the ATM operator also charges an additional fee.<sup>62</sup> Other ATM providers—non-bank affiliated ATMs at corner grocery stores, restaurants, or other locations—charge operator fees that can be higher than bank ATMs.

Banks typically charge non-customers \$3.00 to use their ATMs and non-bank ATM operator fees can be upwards of \$5.00.<sup>63</sup> ATM fees also vary by region, from an average high of \$5.23 in Atlanta to a low of \$3.90 in Los Angeles.<sup>64</sup> In banking deserts like Itta Bena, Mississippi, local residents are often limited to ATMs that charge \$5.25 to \$7.50 per transaction,<sup>65</sup> meaning someone withdrawing money from ATMs four times a month could easily rack up to \$30 monthly on ATM withdrawal expenses.

Unbanked consumers face both a service charge and an out-of-network charge every time they use a stored-value debit card to withdraw money. And stored-value debit cards can charge about \$2.00 in monthly maintenance charges<sup>67</sup> and \$2.00 to withdraw money from ATMs (in addition to the charges from the ATM owner). These products can also carry a host of other fees, like an issuing fee, a fee to add money, point of service fees, and even dormancy fees for not using the card.

Unbanked consumers who only withdraw money twice a month could spend as much as \$14 to get cash from ATMs, coming to \$168 annually or 1.0 percent of the take-home pay of someone earning \$20,000 a year.<sup>68</sup> Three ATM withdrawals would cost \$20 per month,<sup>69</sup> or \$240 annually (1.5 percent of take-home pay).



# SELF-SERVICE

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## The Postal Banking Option: Low-fee ATMs

The U.S. Post Office could install low-fee ATMs in its branch locations, with no fee for individuals utilizing benefit cards.

This two-level fee system would take advantage of the Post Office's unique physical accessibility, and ensure that the system remain affordable for all users.

Additionally, an expanded pre-paid card pilot could be linked to a large fee-free ATM network, ensuring even more locations could be accessed for postal banking customers.



# International Wire Transfers: Cost of \$200 monthly remittances about \$200 a year

Every year, over \$72 billion flow overseas from the U.S. in the form of international remittances.<sup>70</sup> While about three percent of households send remittances, unbanked families are nearly twice as likely to make international remittance transfers as banked households (4.7 and 2.7 percent, respectively).<sup>71</sup> Hispanic and Asian families make remittances more frequently (8.9 and 9.5 percent respectively).<sup>72</sup>

These remittances can be a financial lifeline for family members living outside the U.S., but the transaction fees can be very high. Typically, people make remittance payments of about \$200 at least monthly,<sup>73</sup> and the fees add up quickly.

Individuals can be charged as much as \$50 to send \$200 abroad. As shown in Table 4, over the course of a year, it would cost an annual average of about \$300 to make monthly transfers of \$200 to Mexico, China, or India—the countries of origin for the three largest immigrant groups in the U.S. and the three largest remittance-receiving countries in the world.<sup>74</sup> Fees can be even higher for transfers to other countries. Furthermore, recipients often have to pay additional fees (typically another transaction fee as well as currency exchange fee), which come to approximately 12 percent of the money transferred.

This substantial cost takes a large cut of take-home pay—about two percent—for the people sending money, and reduces the amount of support they are able to send overseas.

**Table 4: Cost to Transfer \$200 Internationally from the United States**

Country	Average Fee	Average Exchange Rate Margin %	Total Cost (USD)	Annual Cost	Share of Take-Home Pay
Mexico	\$7.10	1.16%	\$9.42	\$113	0.7%
China	\$7.49	0.43%	\$8.36	\$100	0.6%
India	\$8.40	0.32%	\$9.04	\$108	0.7%
<b>Average</b>	<b>\$7.66</b>	<b>\$0.01</b>	<b>\$8.94</b>	<b>\$107</b>	<b>0.7%</b>
Sure Money/Dinero Seguro	\$69.30	-	\$69.30	\$831.60	5.17%

Sources: <https://remittanceprices.worldbank.org/>, <https://public-inspection.federalregister.gov/2022-10500.pdf>

\*Total cost = fee + exchange rate margin, if applicable

## The Postal Banking Option: Wire Transfers

Currently, the USPS's "Dinero Seguro" program allows international wire transfers, but has several limitations. First, the flat rate structure, which remains the same for transfers up to \$750 dollars, is designed for larger transfers and does not match how most people send remittances: the average migrant worker sends between \$200 and \$300 every one to two months, not large, less frequent transfers.<sup>75</sup>

Secondly, the program only offers wire transfers to 10 countries: Argentina, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Peru. Only Mexico, out of the three countries with the largest immigrant populations in the United States, is included in the program. The program is only available in less than 10 percent of all post offices.

But most importantly, the program is under serious attack by the rightwing Postal Regulatory Commission. The newest price points are so high as to be completely out of reach: users are expected to pay fees of \$69.30 for transfers up to \$750, and \$100.25 for transfers between \$750 and \$1,500.

This represents a rate that is an extraordinary 6.75 times the price at even fringe financial service providers. This comes after the Postal Regulatory Commission's decision to raise prices for the program by a stunning 305 percent from 2021's prices,<sup>76</sup> to levels that prevent anyone from actually using the service.

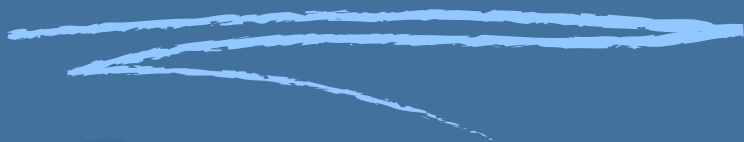
This pricing decision is nothing but a racist attempt to sabotage a program that is primarily used by low-income immigrants. While the PRC has also recommended unnecessary price changes to other postal financial products, like the money order program, these have ranged between three and 12 percent, not in the triple digits.<sup>77</sup>

But another approach is well within reach. The software and infrastructure already exist at post offices for the Postal Service to replace Dinero Seguro with the Universal Postal Union's International Financial System (IFS), which operates in 76 countries, including China and India.<sup>78</sup> Failing that, USPS could bring prices to a competitive level and expand Dinero Seguro to offer additional countries, or it could combine the UPU system with an expansion of Dinero Seguro. Either way, it will need to facilitate the storage of remittance amounts so that a larger amount can be sent at a lower fee (rather than multiple small transactions).<sup>79</sup>

This survey of standard financial transactions for low-income individuals who are unbanked reveals the significant impact transaction fees levied by fringe financial service providers can have on someone who is already living paycheck to paycheck. It also demonstrates that the current financial service products offered by the Post Office - money orders, remittance transfers, and the new check-cashing option- are priced too high to provide an adequate measure of the demand for a public postal banking option, or to meet the needs of the millions of unbanked individuals across the U.S.



# Postal banking services should not rely on predatory third-party intermediaries





One significant contributor to the overpricing of postal financial service products is the current test's overreliance on third-party intermediaries. For example, the check-cashing product offering has an unreasonable \$4.95 fee per \$500 check, based on the terms of an existing contract with Blackhawk Network Holdings ("Blackhawk"), the private equity -owned vendor for the USPS' gift card vending program.<sup>80</sup>

Given the private equity industry's history of wealth extraction, especially from communities of color, not only should the check-cashing product fee be assessed to ensure it is fairly priced, a profit margin comparison should be done to ensure an equitable share of the fee is going to USPS.

In June 2018, Blackhawk was bought by private equity firms Silver Lake Capital Partners and P2 Capital in a \$3.5 billion leveraged buyout.<sup>81</sup> Since they took over the company, Silverlake and P2 Capital have followed the industry playbook, loading up their new acquisition with debt.<sup>82</sup>

Cost-cutting measures like outsourcing have resulted in layoffs,<sup>83</sup> and customers have filed hundreds of complaints against the company with the Consumer Financial Protection Bureau.<sup>84</sup> Blackhawk currently faces a class action lawsuit which alleges that the company failed to secure the personally identifiable information of 166,000 customers whose data was hacked in a September 2022 data breach.<sup>85</sup> The data breach illustrates another issue with using third-party fintech vendors like Blackhawk for a postal banking option: in our tech-enabled economy, customer data is an extremely valuable commodity.

Introducing private vendors into such processes can create incentives for them to harvest or resell customer data. Such practices can violate the privacy of vulnerable communities, such as the undocumented or survivors of domestic violence, or create trust barriers that make it less likely for core demographics of the unbanked population to use these services, at a time when trust is one of the top barriers to opening a formal bank account.<sup>86</sup>

# Where people need it: Postal banking services must be made accessible

Inconvenience in accessing banking services is one of the top three reasons why people remain unbanked.<sup>87</sup> Between 2021 and 2022, 200 bank branches closed per month, leaving more people, especially in low-income areas, without access to basic financial services.<sup>88</sup> Residents of low-income census tracts are twice more likely to live in banking deserts than those in higher income tracts,<sup>89</sup> and both urban and rural banking deserts have higher shares of residents of color, with rural Hispanic communities the most likely to be a banking desert.<sup>90</sup>

In light of these disparities, the Post Office's broad geographic footprint, sunk costs, economies of scale, density across underserved markets in both urban and rural geographies, and commitment to accessible and universal service makes it a perfect storefront location to offer critical financial services and an integral step in the fight for racial and economic justice. After all, the USPS maintains 31,000 branches across the United States, more than Starbucks and McDonald's combined.<sup>91</sup>

As of 2018, more than 17,000 USPS locations were located in communities considered banking deserts. At present, this number is certainly higher, as more than 8,300 more bank branches have closed since then.<sup>93</sup>

The check-cashing test-run was conducted at four separate locations, with a plan to expand to nearly every post-office in the vicinity to ensure market saturation for the new product. An unplanned halt to the full roll-out of the program has curtailed the relevance of the data collected to date. A brief overview of each of the initial locations reveals that more care could have been taken to identify an adequately representative set of use cases.

## No rural option

By far the most glaring omission in the postal banking test-run is the lack of a rural location, despite the fact that rural communities are 10 times more likely to be in a banking desert than urban ones.<sup>94</sup> This omission also has racial justice implications. One quarter of rural residents are people of color,<sup>95</sup> 10 percent of rural counties are a majority people of color,<sup>96</sup> and many of the rural areas that are potential banking deserts are located in communities of color nationwide.

## Baychester Post Office, Bronx, NY

Postal banking advocates spent several years organizing neighborhood residents in the Bronx around their financial service needs, conducting extensive street outreach fieldwork, particularly in areas around Fordham Station, Grand Central, Kingsbridge, Williamsbridge, and Grand Concourse. However, the test-run selected a postal location in Baychester, NY, far away from any of these identified areas, in a lower-density neighborhood composed primarily of single-family homes,<sup>97</sup> with a higher median income than the city as a whole.<sup>98</sup>

## National Capital (Dorothy Height) Post Office, Washington, D.C.

The Washington, D.C. test-run location is in the post office across the street from Union Station, in an area with a high density of banking and non-bank financial services. One of the few Walmarts in the District was located within three blocks of the site, and offered services at a cheaper price point while the test ran, though the location has now closed.<sup>99</sup> An ACE Cash Center is a few blocks east. While the location is of national significance, it is neither an area with a high number of unbanked residents, nor does it cater to a large number of low-wage workers who may be in need of such services near their place of work.





## Other locations selected were useful examples but density is need to measure true effective demand

The remaining two test-run locations, the Bailey Post Office in Falls River, Virginia and the Baltimore Post Office in Baltimore, Maryland are good, representative selections for their respective areas. The Falls River location services both higher income residents of Northern Virginia and borders a working class Latine neighborhood, creating an interesting test case for the desirability of universal services.

The location in Baltimore, MD serves a predominantly working class Black community. Both of these are important locations to test the racial justice elements of a postal banking rollout, but density is necessary so that people in a community can become familiar with a product and know that it is reliably available across the whole market.

Rolling out an efficient, accessible, and affordable postal banking program in post offices across the country would provide millions with access to basic financial services.

In order to design such a program properly, and to ensure the full racial justice implications of a postal banking program are identified, the full postal banking pilot should expand to 50 additional locations advocates have identified that will allow for density testing in each of the four markets (Bronx, NY; Falls Church, VA; Washington, DC; and Baltimore, MD) that are currently in the program, and add a new rural market as soon as feasible.

# A lack of digital options fails to keep up with basic financial services

Physical accessibility for financial services should be complemented by digital accessibility for equitable access. By 2021, the FDIC found that the majority of banked households (65.5 percent) accessed their bank accounts digitally—43.5 percent through mobile banking and 23 percent through online banking on a tablet or PC.<sup>100</sup>

To be a viable public option, the USPS must offer digital versions of its current financial products, such as money orders, coupled with online management of the check-cashing debit card or any future multi-purpose card. Digital banking is a convenient and time-saving option, reducing the wait time for basic financial transactions, allowing people to save money and time on transit to and queuing at in-person locations, and reducing the paperwork burden of balancing one's finances.

The explosion of digital banking in 2021 may have also reflected difficulty accessing bank branches while they were closed for social distancing precautions, an anomalous situation that may normalize over time. More broadly, while digital banking offers convenience and its prevalence means it has become a necessity, in-person banking service also remains an essential public good—particularly as lower-income people, the elderly, those without a college degree, and those living outside of metropolitan areas are much more likely to rely on teller services.

For example, a household earning between \$15,000 and \$30,000 is three times more likely to use a bank teller as their primary method of banking than one earning \$75,000, and over 30 percent of elderly households relied on bank tellers, compared to 15 percent of banked households overall.<sup>101</sup>

In keeping with this trend, unbanked households were far less likely to use nonbank online payment services (such as PayPal or Venmo) than banked households, at 18 percent and 48 percent, respectively.

Unbanked households relied primarily on the methods discussed here to receive income or pay bills, with only 12.5 percent using online options (see Table 5).<sup>102</sup>

**Table 5: Share of Unbanked Households Paying Bills or Receiving Income, by Method**

Method	Share
Any method	56.4%
Nonbank online payment service	12.5%
Prepaid card	28.9%
Nonbank money order	29.6%
Nonbank check cashing	17.5%
Nonbank Money Transfer Service	7.4%

Source: Federal Deposit Insurance Corporation (FDIC). "2021 FDIC National Survey of Unbanked and Underbanked Households." October 2022, Table 9.1.



In order to equitably serve the 8.5 million unbanked adults who do not primarily use digital financial services, the Postal Banking option should expand to include digital options with privacy safeguards and enable both domestic and international post office to post office transfers, alongside an expanded multipurpose prepaid card.

Failure to include a digital option will mean the public option will be artificially hampered in an environment where financial services are increasingly accessed online, while shifting to digital-only approaches will result in further racial and income inequities and fail to meet the needs of the unbanked.



# Postal banking can succeed, with thoughtful and responsive design



The fight for racial and economic equality in the U.S. must take on systemic inequities in the American banking system. There are millions of unbanked households in the U.S., a significant proportion of them Hispanic, Black, and Native American households. The selective distribution of bank branches and manipulative and expensive terms and conditions make traditional banking inaccessible and impractical for millions of households in the U.S., and also puts a disproportionate number of households of color at a disadvantage.

As a result, these millions of households turn to fringe non-bank servicers, who promise them the same services Bank of America, Chase, or other banks offer, but for a steep price. This status quo is unacceptable. A fee for each transaction, every month—to cash paychecks, pay rent and utilities, or withdraw cash—piles up quickly, adding up to at least \$585 a year.

For unbanked individuals making \$20,000 a year, the penalty for being unbanked comes to at least 3.6 percent of their after-tax pay. This is a low estimate, since it is restricted to only a few basic transactions and missing scores of other payments that families frequently make—like paying water bills, taxes, tickets and criminal justice-related fines and fees, and car or renter's insurance, to name a few. Estimates put the total cost of being unbanked at about \$2,400 per year.

For these households that have no banks to turn to—either for their high cost or general lack of conveniently located physical branches, having cheap and accessible services in their local post office makes a world of difference.

Today, post offices in four pilot states are beginning to implement such a program, but still imposing check cashing fees steeper than that of Walmart, one of the most generic check cashers. Millions of people have no choice but to incur a penalty ranging from 3.6 to 5.3 percent of their annual take-home pay just to access their own money and pay for basic financial needs, when the U.S. Post Office could offer them a truly affordable alternative.

A public option is needed to guarantee affordable financial services must be guaranteed for all. Market-based solutions pursue predatory inclusion, and voluntary initiatives simply will not meet the scale of the problem. But for a postal banking pilot to become a viable option, the Post Office should be the lowest cost provider of these non-bank services.

In the long term, for this to be possible, the Post Office should stop using predatory third-party intermediaries who have a focus on profit over service.

As the program expands from check-cashing to the full pilot, care must be taken to include all communities that are disproportionately unbanked, including rural communities of color and Black and Latine neighborhoods where there is an existing history of organizing around postal banking.

Finally, for the pilot to adequately meet 21st century financial service needs, it must both expand in-person services and include a digital option.



## Policy recommendations

Non-bank financial services are just a start. The law currently permits USPS to offer services like check cashing, bill payment, wire transfers, and ATMs, but these are by no means a full representation of the need.

Ultimately, the Post Office should offer free checking and savings accounts in partnership with the Treasury department, as envisioned in Mehrsa Baradaran's scholarship, or even the Federal Reserve, as in Senator Sherrod Brown's "Banking for All" bill. This would allow people to access day-to-day basic banking services like checking and savings accounts, check cashing, bill payment, and remittances through an affordable and trustworthy public option. trusted institutions.

To also provide affordable credit and effectively end the current predatory lending industry that traps millions in debt, a public option at the post office needs to be coupled with an airtight 36 percent interest rate cap on the private lending market.

Ultimately, getting the postal banking pilot right is a much needed revenue generator and a down payment on the future of the USPS as a hub for community services. The post office should build on its history of serving every community, no matter how remote, and the legacy of postal employment as a pathway to the Black middle class to meet unmet needs, particularly in low-income communities and communities of color.

New services could include everything from hunting licenses to checking on seniors, adding value to bus and subway passes, providing office services and a WiFi signal in the parking lot, census outreach and verification for social security and EBT cards, even electric vehicle charging stations and affordable delivery for local food producers, all potential sources of revenue to sustain one of nation's most trusted institutions.



# More on what the Postal Service can do to innovate to meet today and tomorrow's changing needs can be found in the People's Postal Agenda.



## 1. Provide affordable financial services:

USPS should explore a partnership with the Federal Reserve or Treasury to not only make the current check cashing pilot more affordable, but also to expand to offer more robust postal banking at post offices across the country—similar to the postal saving system in operation until the 1960s.

Having these services priced fairly at the post office that is already in every ZIP code and has community trust would meet the need for unbanked and underbanked communities, who are often disproportionately low-income and/or people of color.

## 3. Make communities safer and governments smarter:

Postal workers are already well connected to the communities they work within and the people within those neighborhoods. With simple additions like sensors and monitors on postal vehicles, USPS could play a key role in gathering a variety of valuable environmental and public safety data (i.e. air quality, potholes, weather and traffic conditions, gas leaks, etc.).

## 5. Narrow the digital divide:

USPS should serve as a hub to expand and deliver broadband access to underserved and rural areas. Public access to wi-fi could be anchored in postal parking lots or lobbies in every ZIP code without affordable, reliable internet.

## 2. Shift to a clean renewable energy economy with union labor:

With one of the largest government vehicle fleets in the nation, USPS has the opportunity to lead by example by committing to all electric vehicles to replace its aging fleet, and ensure they are built with union labor.

The post office could also offer public EV charging stations and be a high profile and significant addition to the Biden Administrations plans to create a nationwide public EV charging network.

## 4. Protect our democracy and build community:

With continued systems of improvement that allow all voters to send and receive their ballots by mail, for every election, the post office could play a huge role in countering racist voter suppression and increase voter participation for people who have trouble getting to the polls.

## 6. Support good jobs:

The Postal Service has a history of being a pathway to the Black middle class, and has been known to be a source of unionized jobs with benefits. USPS should continue to ensure more career positions and make good faith efforts to engage in collective bargaining processes to protect good middle class jobs. Additionally, the new delivery fleet should be built with 100% union labor.

**7. Protect public health:** The post office's door-to-door network was central to the success of the U.S. Government's program to deliver Covid test kits to every household. USPS has proven its capability to distribute any variety of public health and safety supplies or equipment in a future crisis.

**8. Strengthen our care infrastructure:** USPS already offers a "Carrier Alert" service in which postal workers watch for signs of potential distress, like uncollected mail at the homes of seniors or disabled residents living alone. This service could be expanded, with more specialized and trained staff, to a more comprehensive optional senior check program. Other countries have similar models that allow older residents to live independently for longer and with less stress on families.

**9. Support food security and local producers:** USPS already has experience with perishable food delivery that they could expand on to deliver local produce door-to-door or to drop-off locations within communities. The post office could also look into expanding more long term to offer grocery delivery, especially considering the growing trend with these services that began during the pandemic, and continues to be used by folks without access to reliable transportation or limited mobility.

**10. Explore additional financing options to maintain universal service:** USPS should explore additional postal reforms, including shifting more into the original public service model, and away from the current self-financing model. A key part of the Universal Service mandate is being able to have a cushion of money appropriated by Congress to cover budget shortfalls instead of continued, historic price hikes that decrease service volume and drive customers to the private sector.



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