# Why Cleveland Wants to Bring Back Postal Banking

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## An idea from the early 20th century is ripe for revival in urban “banking deserts,” say advocates like the U.S. postal worker union.

In the United States, the post office is for mailing letters, and the bank is for cashing checks.

That’s not the case in France, Italy, Japan, China, Brazil, India, and New Zealand, all of which offer financial services like money transfers through their post offices. And it wasn’t always true in the U.S.: For half a century, the the U.S. Postal Service offered a Postal Savings System, which at one point held 10 percent of the entire commercial banking system’s asset stash.

Today, the USPS’s financial services are limited to sending out money orders, giving cash back, and, occasionally, delivering birthday checks. But some city leaders and organizers of the [Campaign for Postal Banking](http://www.campaignforpostalbanking.org/local-campaigns/) are trying to revive postal banking. Postal union leaders hope that in the process, they’ll be able to save the postal service, too.

In a press conference last week, a group of Cleveland-area elected officials and local labor leaders called on the U.S. Postmaster General to make cities and suburbs in Northeast Ohio the first test case for the system.

“I hope [the USPS] will use their current authorities to expand financial services, particularly in neighborhoods that are unbanked and are banking deserts where people are being raped by predatory lenders, auto loan sharks and firms that charge people 20 percent interest,” Representative Marcy Kaptur [told the Cleveland Plain-Dealer](https://www.cleveland.com/open/2019/05/banking-at-the-post-office-groups-trying-to-make-it-happen-in-cleveland.html). “The American people will demand it.”

According to [figures from the Federal Reserve](https://economicinclusion.gov/surveys/2017household/), some 22 percent of U.S. households, representing about 55 million adults, were considered unbanked or underbanked in 2018.\* Those in the latter category may have an insured account, but they also use “alternative” financial services like check-cashing stores and payday lenders. As bank branches disappear from lower-income urban neighborhoods [and rural areas](http://www.stlouisfed.org/publications/regional-economist/second-quarter-2017/banking-deserts-become-a-concern-as-branches-dry-up), [banking deserts](https://www.theatlantic.com/business/archive/2016/03/banking-desert-ny-fed/473436/) dominated by predatory cash-advance stores have become an increasingly common feature of the American landscape. Thanks in part to Trump-era [rollbacks of federal regulations](https://www.thenation.com/article/the-trump-administration-just-gutted-payday-lending-regulations/), these payday loan operations and storefront car-title companies charge $8 billion in extra fees each year.

Postal banking advocates are focusing on Baltimore, the Bronx, and Cleveland because there’s political support for the idea in those regions, plus plenty of potential customers. Estimates vary widely, but in the Baltimore area, anywhere from [20 percent](https://economicinclusion.gov/surveys/place-data.html?where=Baltimore_Towson_MD&when=2017) to [40 percent](http://www.campaignforpostalbanking.org/baltimore-petition/) of residents are un- or underbanked. The Bronx has the largest underserved population in New York City; [a 2015 Urban Institute study](https://www.urban.org/sites/default/files/publication/71511/2000430-Where-Are-the-Unbanked-and-Underbanked-in-New-York-City.pdf) found that more than half of residents lacked regular access to a financial institution. And in the Cleveland area, around a quarter of residents are un- or underbanked, a proportion that’s [higher than the rest of the Midwest](https://economicinclusion.gov/surveys/place-compare.html?where=Cleveland_Elyria_Mentor_OH&whereelse=Nation&when=2017) (but about on par with the rest of the nation). Why not take advantage of the 31,000 post office retail branches already serving Northeast Ohio and have them step in to provide some financial services?

“[We have] the most trusted workers, the most well-trained workers, and offices in every community in the country—where banks are not,” said Mark Dimondstein, president of the American Postal Workers Union. “Even if people could have access to banks, there are places that banks have fled.” According to the Campaign for Postal Banking, a third of zip codes have access to a post office but lack a traditional bank.

Cleveland’s potential pilot would be a far cry from the Postal Savings System of the early 20th century, which was launched in 1911 with the intent to “get money out of hiding, attract the savings of immigrants accustomed to saving at post offices in their native countries, provide safe depositories for people who had lost confidence in banks, and furnish more convenient depositories for working people,”as [this USPS history says](https://about.usps.com/publications/pub100/pub100_025.htm). By 1947, almost $3.4 billion in savings was stashed within the Postal Savings System.

But after World War II, banks raised interest rates and the service lost its allure. The Post Office Department shuttered its savings system in 1967, killed as part of Lyndon Johnson’s broader push to streamline the federal government. “The postal banking system died a quiet death without public discussion,” wrote Mehrsa Baradaran [in Slate](http://slate.com/news-and-politics/2014/08/postal-banking-already-worked-in-the-usa-and-it-will-work-again.html).

A resuscitated postal banking program wouldn’t work exactly like the last-century version: They’d start with something as simple as paycheck-cashing, says Dimondstein, eventually issuing more money orders and remittances, and even installing ATMs on-site.

“It’s a win for the Post Office, because it will bring in some revenue and traffic and business.”

Performing these bank-like duties would not be a huge leap, says the Office of the Inspector General. Already, the USPS is the largest provider of paper money orders in the country: It sold $21 billion worth of the orders—which are like prepaid checks—in 2014, mostly to post offices in rural zip codes. A [2014 Pew survey](http://www.pewtrusts.org/~/media/Assets/2014/07/FIN_Presentation-of-Pew-Research--The-Post-Office-and-Financial-Services.pdf) found that more than three-quarters of un- or underbanked people who use “alternative financial services” rate customer service at the post office well, and most have far more positive feelings toward the USPS compared to payday lenders.

But banking and credit union groups are wary of postal interference, and fought a [2018 House bill](https://www.congress.gov/bill/115th-congress/senate-bill/2755) that would have made postal banking legal nationwide. “[W]e are very concerned that allowing the U.S. Postal Service to provide banking services will be beyond the Postal Service’s core competencies, will raise a number of serious regulatory and consumer protection questions, and will present significant competitive issues for private sector entities,” [reads a letter](https://news.cuna.org/articles/114572-joint-letter-urges-house-leaders-to-prohibit-postal-service-banking) to Congress signed by groups like the American Bankers Association, the Independent Community Bankers of America, and the National Association of Federally Insured Credit Unions. The bill failed.

Without that kind of legislative change, it won’t be possible to set up a true national Postal Bank. But letting some branches cash checks where they’re already selling stamps only needs the signature of the Postmaster General, Megan Brennan.

That might be a big hurdle. When CityLab reached out to Brennan, her press team directed us to this statement [on the Postal Service’s website](https://about.usps.com/news/statements/072916.htm):

The Postal Service’s mission is to provide the American public with trusted, affordable, universal mail service. Our core function is delivery, not banking. To the extent our research concludes that we can legally provide additional services at a profit and without distracting from our core business, we would consider these. However, public policy and regulatory discussions must be addressed before the Postal Service invests in an area outside our core function.

Cleveland’s postal union disagrees. ”The Postal Service can introduce these financial services tomorrow—there’s no need to change the law,” APWU Local 72 president Daleo Freeman said in a statement. “USPS experiments with new products all of the time, and the APWU contract with the Postal Service has a provision for pilot projects as well.”