# How Post Offices Can Beat Payday Lenders

**Millions of Americans can’t access low-interest loans. The USPS is uniquely positioned to help.**

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The fight to curb payday loans has reached one of America’s oldest institutions: the Postal Service. Democratic representatives Bill Pascrell of New Jersey and Ayanna Pressley of Massachusetts recently introduced an amendment to the Financial Services and General Government Appropriations Act authorizing post offices to provide small loans, savings accounts, and other financial services. The amendment sets aside $1 million to cover any overhead. It passed the House of Representatives on June 25.

Pascrell is a longtime supporter of the Postal Service. In an April 2019 article for this magazine, he [argued](https://washingtonmonthly.com/magazine/april-may-june-2019/congress-is-sabotaging-your-post-office/) that the USPS is an essential institution that has been bogged down by privatization efforts. Rather than take away money from the agency, Pascrell said that Congress should expand its functions. Post offices, he noted, could bring loan and ATM access to unbanked Americans, many of whom rely on payday lenders that charge exorbitant interest rates.

Bank access is a severe [problem](https://www.fdic.gov/householdsurvey/) in the United States. In 2017, 6.5 percent of U.S. households were “unbanked” (no bank access), and 18.7 percent were “underbanked” (reliant on financial institutions that were not banks). Almost half of the country could not [pull](https://web.archive.org/web/20160324101213/http:/www.brookings.edu/~/media/Projects/BPEA/Spring%202011/2011a_bpea_lusardi.pdf) together $2,000 within thirty days in the event of an emergency (or at least they would struggle greatly to). Many of these people would have to take out payday loans to deal with such a shock.

“They turn to the unregulated predatory payday lenders, to check cashiers,” Pascrell told me. These lenders, he said, “keep families in poverty.”

Typical payday lenders charge interest rates of 390 percent per year, a figure so high that one out of five recipients default. A [recent move](https://www.cnbc.com/2019/02/06/trump-administration-rolls-back-payday-loan-protections.html) by the Trump administration to slash regulation around payday loans risks making this problem even worse.

Pascrell’s solution is not wholly new. Several large countries—including China, India, Italy, and France—currently [offer](https://www.bloomberg.com/quicktake/postal-banking) loans and savings accounts at post offices. American post offices [offered](https://www.nalc.org/news/the-postal-record/2016/january-2016/document/USPSS.pdf) loan and deposit services from 1911 to 1966, when millions of low-income individuals relied on them. In 1947, the post office [managed](https://about.usps.com/publications/pub100/pub100_025.htm) $3.4 billion, the equivalent of $35 billion today, making it one of the largest financial institutions in the U.S.

But Lyndon Johnson cut the project in the 1960s as a part of a larger effort to trim government agencies. Afterwards, predatory lenders [stepped in](https://harvardlawreview.org/2014/02/its-time-for-postal-banking/) to fill the gap, offering small loans that commercial banks often avoid. To turn a profit, this new crop of lenders set sky-high interest rates that have left poorer Americans trapped in debt.

The postal service still offers one banking service: postal money orders. An inspector general report [estimates](https://www.uspsoig.gov/sites/default/files/document-library-files/2017/RARC-WP-16-007.pdf" \o "estimates" \t "_blank)that it provides roughly $21 billion of these orders—which operate like prepaid checks—to those who have no other place to store their money. The report also noted that “ZIP Codes with higher population, more poverty, and lower education levels sold more money orders.”

Pascrell and Pressley’s legislation—which also had the support of Nevada Republican Mark Amodei—would greatly expand this banking system, making post offices install new ATMs, set up deposit accounts, and hand out low-interest loans to customers. Its odds of passing the Senate are slim. But if the bill were implemented, it would offer low-income Americans inexpensive access to the U.S. financial system. A USPS inspector general study found that postal banking could [provide](https://washingtonmonthly.com/magazine/april-may-june-2019/congress-is-sabotaging-your-post-office/) loans at a 90 percent discount compared to what payday lenders charge.

Given its vast reach, Pascrell argued that the Postal Service was uniquely prepared to help solve America’s payday lender problem. “It’ll be a little push from us,” he said. “But they’re basically ready to do this.”