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POLITICS AND POLICY

The Postal Service's tiny check-cashing test sparks a big reaction

By [Polo Rocha, Hannah Lang](#) October 04, 2021, 9:05 p.m. EDT 5 Min Read



It's a far cry from the postal banking system that progressives favor and bankers dislike, but the U.S. Postal Service's entry into the check-cashing space is still making a big splash.

Loud responses Monday from both boosters and critics reflected a widespread perception that the pilot program could be a first step toward a wider implementation of postal banking. The modest scope of the program contrasted with the size of the reaction it generated.

The recently launched program is only operating in four offices — in Washington, D.C., Baltimore, Falls Church, Virginia and the Bronx, New York — out of the Postal Service's more than 30,000 locations nationwide. The USPS is only accepting business and payroll checks of \$500 or less, shutting out larger checks and any personal checks. The post office will not provide cash in exchange for the checks, and will instead let customers purchase a single-use gift card of up to \$500.

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Under a pilot program, the U.S. Postal Service is allowing customers at four locations to cash business and payroll checks of \$500 or less, with the proceeds loaded onto a single-use gift card. *Bloomberg*

Customers will be charged a flat fee of \$5.95, according to The American Prospect, which [first reported](#) the program's launch. For smaller checks, the USPS fee may be higher than that charged by check-cashing companies, whose fees are often based upon a percentage of each check. In all cases, the USPS service will be more expensive than the \$4 maximum that Walmart charges for cashing checks up to \$1,000.

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challenged USPS will find additional ways to reach Americans who lack access to the mainstream financial system. Meanwhile, banking industry officials and Republican lawmakers renewed their criticism of a government-run option.

“This is a great first step toward creating a postal bank,” said Sen. Kirsten Gillibrand, a New York Democrat who has authored postal banking bills. While the pilot program is small, it will “show that the USPS can effectively service underbanked urban and rural communities,” Gillibrand added.

The program is an “example of how the Postal Service is leveraging its vast retail footprint and resources to innovate,” USPS spokesperson Tatiana Roy said in a statement. The agency is partnering with the American Postal Workers Union on the effort, a group that has long advocated for postal banking.

“Offering new products and services that are affordable, convenient and secure aligns with the Postal Service’s Delivering for America 10-year plan to achieve financial sustainability and service excellence,” Roy continued.

Banking trade groups, on the other hand, said the pilot program detracts from the industry’s own efforts to bolster financial inclusion.

It is “easier than ever to open a bank account in this country,” and the solution to “high retail check cashing fees is a banking relationship, not a government-subsidized service through the post office,” American Bankers Association spokesman Jeff Sigmund said in a statement.

The post office has “little to no knowledge” of the internal risk controls, consumer protection and privacy regulations that banks are required to comply with in offering accounts, said Billy Rielly, a spokesman for the Consumer Bankers Association. Policymakers should instead encourage innovation in the banking system and build on existing financial inclusion efforts, he said.

For years, prominent Democratic lawmakers have been pushing for the USPS to offer basic financial services, including low-cost, small-dollar loans as well as small checking accounts, interest-bearing savings accounts

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Reps. Bill Pascrell, D-N.J., and Marcy Kaptur, D-Ohio, [put forward an amendment](#) to an appropriations bill last year, which eventually passed the House, that called for allocating \$2 million to the USPS to launch postal banking pilot programs across the country.

“I am highly gratified that at long last USPS is commencing postal banking pilot programs,” Pascrell said Monday in a statement to American Banker. “With proper planning and execution, millions of unbanked Americans could come to rely on the Post Office in their daily lives rather than predatory payday lenders, reinvigorating this great institution in the process.”

But postal banking has always failed to get enough congressional traction, in part because community bankers and credit unions have always opposed it, arguing that the Postal Service is ill equipped to offer banking services.

In a statement Monday, Dan Berger, the president and CEO of the National Association of Federally-Insured Credit Unions, called on policymakers “to take steps to end the USPS’ pilot program” that offers check-cashing services to consumers.

“This program stretches the bounds of the postal service’s statutory authority and allows the underfunded and understaffed USPS to unfairly compete with credit unions who are already meeting the needs of low- to moderate-income individuals,” he said.

Sen. Pat Toomey, R-Pa., the ranking member of the Senate Banking Committee, also blasted the pilot program, arguing that “the idea that the government is going to do a better job” at providing banking services than financial institutions “is just laughable.”

“You would have to work very hard to come up with a worse idea than having the government become a national bank executed through the post office,” he said. “Even if the U.S. Postal Service was the most competent, professional, and best-run organization on the planet, they should not be in the business of banking. We have banks.”