

July 30, 2020

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
Washington, D.C. 20515

Dear Speaker Pelosi and Minority Leader McCarthy:

The undersigned trades, representing banks and credit union members in every state, write to urge the rejection of the amendment from Representatives Bill Pascrell and Marcy Kaptur to the Fiscal Year 2021 Financial Services and General Government (FSGG) appropriations bill regarding the provision of banking services by the U.S. Postal Service.

Although we appreciate—and strongly support—efforts to increase financial inclusion across the country, we are deeply 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 could leave consumers less protected than they would be at a regulated financial institution.

Congress should encourage the Postal Service to focus on its core business of physical mail delivery, and not attempt to expand the mission to businesses outside of the Postal Service’s area of expertise. Postal banking does not address the Postal Service’s core financial challenges, and may well make them worse. Both the U.S. Treasury and the Postal Service itself agree. “Given the USPS’s narrow expertise and capital limitations, expanding into sectors where the USPS does not have a comparative advantage or where balance sheet risk might arise, such as postal banking, should not be pursued,” the Treasury Department recently wrote.¹ The U.S. Postal Service was even more blunt:

The Postal Service’s mission is to provide the American public with trusted, affordable, universal mail service. Our core function is delivery, not banking... Profit margins on these financial services businesses across the industry are very low... so even if we achieved \$1 billion in revenue and executed well, our cash position would only increase by an estimated \$100 - 200 million, which will not materially change our financial condition—we need to focus on the core delivery business. ... Since established financial services firms make a slim margin on revenue ... it seems unlikely that there is any significant room to lower prices without incurring a loss, and at a minimum, a lower profit margin.²

¹ U.S. Dept. of Tres., *United States Postal Service: A Sustainable Path Forward* at 61, Dec. 2018, available at https://home.treasury.gov/system/files/136/USPS_A_Sustainable_Path_Forward_report_12-04-2018.pdf.

² Press release, “USPS responds to OIG financial services white paper,” U.S. Postal Service June 3, 2015, available at <https://about.usps.com/news/statements/060315.htm>.

No doubt, postal reform is a serious topic that Congress must confront. We encourage Congress to enact legislation that would reduce costs and increase efficiencies to put the U.S. Postal Service on a sound and sustainable financial path over the long run, but the provision of banking services is not an acceptable solution. We look forward to continuing to work with you on postal reform efforts in the coming months, but urge you to reject Representatives Pascrell and Kaptur's amendment to the FSGG appropriations bill when it is on the House Floor this week.

Sincerely,

American Bankers Association
Bank Policy Institute
Community Development Bankers Association
Consumer Bankers Association
Credit Union National Association
Independent Community Bankers of America
Mid-Size Bank Coalition of America
National Association of Federally-Insured Credit Unions
National Bankers Association

cc: Members of the United States House of Representatives