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June 29, 2018

The Honorable Steven T. Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Secretary Mnuchin:

ICBA¹ understands that President Donald Trump's special task force on postal reform is about to conclude its review of the Postal Service. We request that the task force specifically include as part of its recommendations a prohibition on any pilot programs, enhancements or expansion to its non-postal banking services.

ICBA adamantly opposes allowing the Postal Service to offer financial products and services. The encroachment into these activities by a major federal agency would represent a significant, government-sponsored, competitive threat to the ongoing viability of the nation's thousands of private-sector, tax-paying community banks that do an excellent job of serving consumers, small businesses, farmers and ranchers across America.

Financial services are best provided in a competitive, private, and free marketplace so they can openly and efficiently benefit customers. According to the FDIC, 88 percent of banks offer small-dollar loans and 81 percent offer free counseling to underserved consumers. Community bank professionals are educated, trained and experienced in the many and often complex facets of banking, which would not be the case at the Postal Service.

The Postal Service's inability to manage its own primary business of selling postage and delivering mail suggests it is ill-equipped to handle any banking function. The Government Accountability Office last year said the USPS reported a net loss of \$5.6 billion in fiscal 2016 — its 10th consecutive year of net losses.² It also had roughly \$121 billion in unfunded liabilities worth 169 percent of its 2016 revenues. Sadly, the proposal to enter the struggling government

¹ The Independent Community Bankers of America®, the nation's voice for nearly 5,700 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services. With nearly 52,000 locations nationwide, community banks employ 760,000 Americans, hold \$4.9 trillion in assets, \$3.9 trillion in deposits, and \$3.3 trillion in loans to consumers, small businesses, and the agricultural community. For more information, visit ICBA's website at www.icba.org.

² See the 2017 GAO Report entitled "Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability."

agency into banking appears to be a last-ditch effort to save it from bankruptcy and taxpayer-funded bailouts. However, allowing the post office to handle financial services would only place taxpayers at further risk of having to subsidize or rescue the agency.

The Postal Service also experienced a massive data breach of almost a million customers' and employees' personal data and Social Security numbers.³ In addition, the Postal Service was audited for having insufficient controls in place to stop money order fraud used for money laundering schemes.⁴ The Postal Service continues to experience growing operational, management, and financial distress, and it is grossly failing in its ability to innovate and keep up with a changing marketplace. Therefore, it makes no policy sense to try to salvage or reward a floundering operation by forcing it into financial services already being provided competitively in the private sector.

Despite all its fiscal problems, the Postal Service in July 2016 reached an agreement with the American Postal Workers Union establishing a joint task force to create a pilot program to modernize its money orders and expand international money transfers. In 2006, Congress made clear that the Postal Service is prohibited from offering new, non-postal services and that the Postal Regulatory Commission must approve even "adjacent" non-postal products in the future.⁵ However, the Postal Service ignored these prohibitions and is attempting administratively to expand its banking services well beyond the scope of its statutory authority.

ICBA is very concerned that this labor union contract will be used by the Postal Service to circumvent Congressional prohibitions on postal banking. Such a proposal would put the livelihoods of many Americans in the hands of a government agency with zero experience in banking. ICBA requests that the task force recommendations specifically include a prohibition on any non-postal banking service.

Sincerely,

Rebeca Romero Rainey
President & CEO

³ Laura Stevens, Danny Yadron and Davlin Barrett, "U.S. Postal Service Says It Was Victim of Data Breach," *Wall Street Journal* (Nov. 10, 2014).

⁴ Office of Inspector General United State Postal Service, "Controls to Detect Money Order Fraud Audit Report," Report No. DP-AR-13-002 (Feb. 7, 2013).

⁵ 39 U.S.C. Section 404(e)(2)