




POSTAL BANKING
A Flawed Proposal in Pursuit
of a Worthy Goal—A Series

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PART I: Postal Banking Would Jeopardize Mail Delivery on Which Consumers and Commerce Depend

Americans have come to expect timely and reliable mail delivery. The postal system is among our oldest forms of public infrastructure, predating the American Revolution. Postal banking would jeopardize the core mission of United States Postal Service (USPS). Community banks are committed to bringing all members of their communities into the banking system. But postal banking is not the solution.

FACED WITH CHRONIC DELAYS AND UNRELIABLE DELIVERY, USPS SHOULD DOUBLE DOWN ON ITS CORE MISSION

In recent months, USPS has struggled to maintain adequate delivery standards. In the holiday rush of December 2020, only 64 percent of first-class mail was delivered on time. Though delivery times have recovered somewhat since then, they remain below the agency's target of delivering 96 percent of mail on time. Improving delivery times must take priority over all other initiatives. Consider:

- Reliable mail delivery is part of America's commercial infrastructure and is more important than ever in the age of e-commerce that relies on delivery to get goods to the end user. The mailing industry represents some 7 percent of GDP.
- Many of our most vulnerable citizens continue to receive Social Security checks and prescription medications through the mail. USPS delivers nearly 850,000 Social Security checks per month as well as 15 million Social Security statements annually. Slow, unreliable service brings serious hardship to these citizens.
- Community banks and their customers have a vital stake in reliable, timely mail delivery for the delivery of statements, credit and debit cards, and solicitations that help them remain competitive.
- USPS is increasingly part of our elections infrastructure as more ballots are delivered and returned through the mail. In the 2020 general

election alone, the agency delivered 135 million ballots. Fair and inclusive elections depend on timely and reliable mail delivery.

- Reliable mail delivery is important for keeping rural America socially and economically connected with the rest of the country, especially as many areas continue to lack access to broadband.

Mail service is too important to consumers and businesses to tamper with. USPS must remain focused on its core mission.

RED INK THREATENS USPS SERVICE STANDARDS

USPS must be a self-sustaining agency funded by users, not taxpayers. Unfortunately:

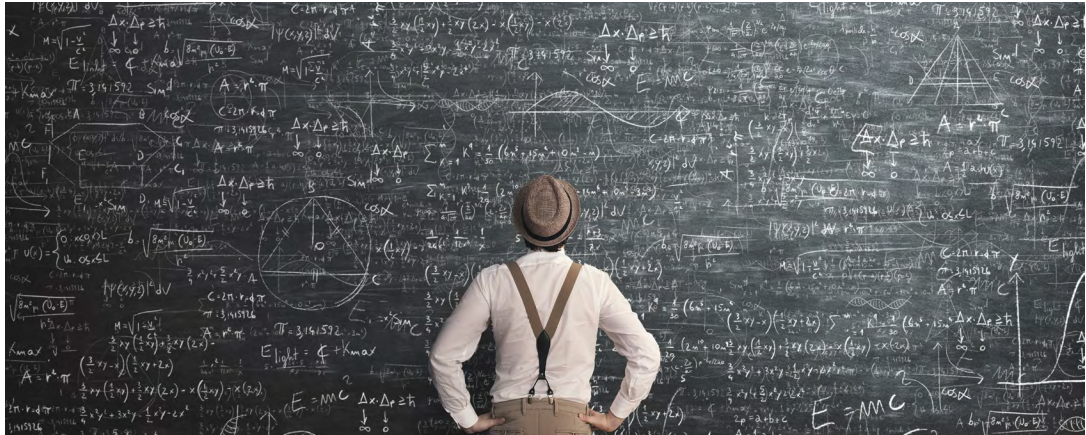
- Over the past 15 years, the USPS's total assets grew by just 2.6 percent, while its total liabilities increased by 361 percent. If the agency were a bank, it would be insolvent.
- USPS has lost an average of \$6.4 billion per year since 2008.
- Even without the prefunded retirement mandated by the 2006 Postal Accountability and Enhancement Act, the USPS would remain in negative territory by at least \$20 billion in outstanding liabilities.

Congress is debating proposals to shore up the finances of USPS, from rate increases to longer delivery times and an end to six-day mail service. Postal banking would only create a new distraction for senior management and more, not less, red ink.

POSTAL BANKING IS NOT THE ANSWER

Banking is a complex business that requires a massive investment in training, technology, compliance, and capitalization. Postal banking proposals are predicated on unfounded assumptions: First, that USPS branch penetration could reach more unbanked Americans. In fact, existing financial institution branches far outnumber USPS branches, especially in low-income communities. Second, that banking services would create a new revenue stream to support postal operations. As we will show in future installments in this series, these assumptions are flawed. The case has not been made for pursuing a risky experiment in postal banking. ICBA and community banks urge Congress to reject such proposals.

Future Installments in This Series



PART II

Explores the inherent risk and complexity of financial services, a venture for which USPS is ill suited and that would likely lose money and further jeopardize the agency's precarious financial condition.



PART III

Considers alternatives to postal banking to reach more of the unbanked. Realistic, viable solutions must be based on established financial institutions—Community Development Financial Institutions, Minority Depository Institutions, community banks. New financial technologies hold great potential to reach the unbanked. A risky, poorly thought-out experiment in postal banking is not the answer.

About ICBA

The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than \$4.9 trillion in assets, \$3.9 trillion in deposits, and \$3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at [icba.org](https://www.icba.org).

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