

The Delray Democrat

Post Office Banks Could Be a Win-Win¹

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There has been a history of using Post Offices for banking services and perhaps the time is right to do it again. Post offices have centralized locations in urban and rural areas around the country and those are prime locations to offer more services than just mailing letters. Great Britain became the first country to use their post offices as banks in 1861, accepting deposits and paying 2.5% interest. The money raised was a cheap way to finance public debt.

In wealthy urban neighborhoods, banks can be as ubiquitous as drug stores, one per corner, but that isn't the case in rural communities, nor poor areas of cities. Many banks don't have branches in poor communities, particularly after limits were placed on how much banks can charge for overdraft protection.

Internet banking has become an option, but not for people without internet access or computers and smart phones.

Communities without banks have to rely on payday loan and check-cashing services that charge high fees. Unless living on a pure barter system, everyone has the need to cash checks and pay bills, and for those without a bank account the cost can be high. Check cashing services charge anywhere from 1% to 10% of the value of the check, and that costs the people who can least afford it hundreds of dollars a year.

Those without bank accounts also have low or non-existent credit ratings, meaning that payday loan stores charge high interest rates — again that's on the people most unable to afford it. Many poor people in rural towns and big cities rely on payday loans to get through the week.

Even the process of paying a bill is difficult without a bank account. Without a bank account you can't have a debit card, so effectively you're paying cash or getting a money order from the Post Office. Yes, they still do money orders. Sometimes I go to the Comcast office and while waiting I see people go to the window to pay bills. Paying bills by actually going to places is time consuming.

Since banks are in the business of making a big profit and it's hard to do that with people who don't have much money to begin with, they aren't interested in serving the poor. Even in communities with banks, checking account fees can often be too high.

So who opposes the idea of using Post Offices as banks? Well, Republicans for one. Republicans don't believe that the government should do anything except take huge amounts of our money for the Offense budget and leave everything else to private enterprise. Payday Loan and check cashing services would oppose it. And, of course, banks don't want competition even though they aren't serving the target community. Their problem must be the possibility that a successful Post Office

¹ *The Delray Democrat*, July 2020, p. 6.

Bank will become a threat to their more profitable clientele.

No one is suggesting that the Post Office should become a brokerage house or commercial powerhouse, but it could certainly handle checking and savings accounts linked to debit cards. There are caveats, however. Once you get into the business of making even small loans, the problem of collecting delinquent loans surfaces. Post Offices also don't have vaults to store cash. And the Post Office did handle banking until 1967 when it ended because people preferred dealing with new neighborhood banks that had comparable rates and more services. But since that time, those banks have become more expensive and simply don't serve areas that they once did.

It's an idea that might be worth another look. The website <http://www.campaignforpostalbanking.org/> is a good place to start.