Postal Banking:
Prosperity for Struggling Communities

by Ira B. Dember

January 27, 2014 was a Monday like any other, until it wasn't. That's when the Office of Inspector General of the US Postal Service released a report that changed everything. The OIG proposed that America's 30,000 post offices offer desperately poor working families short-term emergency payday loans, essentially small advances against their paychecks.

34 million mostly low-income households, about a quarter of all US households, don't have bank accounts.

This proposal came as stunning news because it would solve one of society's most pressing problems. Today, some 34 million mostly low-income households, about a quarter of all US households, don't have bank accounts. Or they don't have enough money to use accounts effectively, or don't have easy access to banks. When there's an emergency, these desperate folks turn to payday lenders.

The OIG report offers this typical example: you borrow $375 for about five months, but must pay $520 in exorbitant interest and fees. The effective interest rate (APR) comes to nearly 400%. Again, that's typical. Some lenders charge more.

These loans work exactly as corporate lenders designed them to. They drive people with no alternative deeper into debt. In 2013 alone, payday lenders cost poor folks $89 billion. For payday borrowers, it averaged more than $2,400 a year in exorbitant interest and fees. For many workers, that's a full month's hard-earned wages, almost as much as a family's annual food budget.

And the problem's getting worse. Predatory lenders are on track to suck $95 billion out of struggling low-income communities in 2014.

These predators can be driven out simply by tightening usury laws. But that would leave the poor without a way to get emergency loans, at any price. (Most banks won't touch them. Banks have been deserting the poor for years.)

Enter the US Postal Service. At various times in the past, the USPS has offered a variety of financial services, even savings accounts. Now the Inspector General proposes bringing the USPS into the 21st Century with basic financial services designed mainly for low-income people, and for the "unbanked" — millions of Americans who don't have bank accounts.

Remember that $375 loan? And the predatory $520 cost? The OIG report estimates that you'd be able to get the same loan at your local post office for, well, $48. Total.

At that price, the OIG says, the Postal Service would still make a tidy profit. In fact, it would help stabilize the USPS's finances at a time when first class mail usage is declining. That could preserve endangered postal services like Saturday delivery, and keep the USPS from closing and selling off post offices, an outrage today in many communities.

Meanwhile, low-income workers and families would get to keep $80 billion of their hard-earned money. It would be almost like getting a hefty raise, without costing employers or taxpayers a dime.

The Postal Service would need to staff up to handle financial services at post offices, preserving and perhaps creating decent-paying jobs. Families would be able to buy more food and other necessities, injecting $80 billion a year into local economies. That too would create more jobs and help raise many folks above the poverty line.

This significant economic stimulus could help reduce the need for public assistance, which in turn would ease pressure on states and municipalities, and their taxpayers.

There's so much common sense in the OIG's postal banking proposal. Senator Elizabeth Warren came out strongly in favor within days of its release. Other leaders are getting on board.

Naturally, bankers, conservatives and Congress are opposed. It will likely take a KXL Pipeline-type uprising to get postal banking into America's post offices, and resulting benefits into communities.
Are you ready?

Ira Dember writes extensively on financial fairness. He lives in Houston but somehow never lost his New York accent.

Kiwi Bank: The Full Monte

by Ruth Caplan

The history of public banking in New Zealand goes back to the election of its first Labor government in 1935 and creation of the Reserve Bank of New Zealand to promote the "economic and social welfare of New Zealand." The bank issued credit at 1% and 1.5% to fund state housing and reduce unemployment and to finance dairy farmers and the government, e.g., for road building.

But the post WWII Bretton Woods agreement, which set up the IMF and World Bank, ended the era of cheap credit as neoliberal theory took hold.

The drought ended in 2002 when a new Progressive Party browbeat the Labor Party into creating a state-owned postal bank which today has more than 800,000 customers with local branches in 280 "Postshops." This approach allowed the bank to be readily accessible to people and to avoid the cost of office space.

While first conceived as a way to provide banking services to the unbanked through the Postshops, the Kiwi Bank now provides a full range of personal banking services, much online, including credit cards, home and car loans, home/car/life/travel insurance, even a range of investment fund options. It also makes business loans and provides international banking services such as funds transfer and foreign exchange.