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March 18, 2021

The Honorable Sherrod C. Brown
Chairman
Senate Committee on Banking, Housing
and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Patrick J. Toomey
Ranking Member
Senate Committee on Banking, Housing
and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

Re: An Effective Postal Banking Alternative

Dear Chairman Brown and Ranking Member Toomey:

According to federal financial regulators, there are still over 24 million adults in the United States who are “unbanked and underbanked” throughout the United States. That is simply too many people who rely on money orders, check cashing services, pawn shop loans, auto title loans, payday loans, and paycheck advances as their only means to manage their finances. Unfortunately, each of these alternatives rapidly diminish household income via excessive fees and interest rates. This is simply “legal loan-sharking” in plain sight.

Consequently, this disturbing trend continues to victimize low-income and minority households as banks have relocated in search of better margins. Yet, as our nation re-emerges from the financial effects of the pandemic, it is equally alarming to read about a large Wall Street mega bank in discussions with the U.S. Postal Service to test ATMs and other banking services at post offices as a solution. Here is why.

Allowing Wall Street mega banks free rein to solicit customers from community post offices would amount to nothing more than a power grab aimed at bolstering profits. Plus, the process in selecting this mega bank has not been transparent. There are many unanswered questions. Particularly when there is a better alternative for these underserved communities that is ready, willing, and able to serve.

The Defense Credit Union Council has written a pair of op-eds in various trade journals and offered a no-nonsense credit union solution for unbanked and underbanked communities via the U.S. Postal Service. There are many reasons why a credit union solution is better than a large mega bank. Here are a few:

First, the ubiquity of post offices coupled with service-oriented, member-owned credit unions is already a natural match. Both are similarly structured such that post offices and “not-for-profit” credit unions are designed to serve each sector of the U.S. population. This is an essential characteristic that cannot be overlooked. Banks and their “for-profit” structure tend to “serve” only those sectors where it is most profitable. In fact, community banks have already voiced their opposition to postal banking except in “certain areas.” Given what we know about banks, it is not hard to imagine where those areas are located.

Second, statutory issues about leased space in federal facilities have already been resolved. Per authority granted in the Federal Credit Union Act and Department of Defense regulations, credit unions operating on military installations operate rent-free because of their “not-for-profit” status and service ethos. It is well-earned. The same concept could govern credit union operations in post office lobbies.

Third, credit unions have an excellent record for providing low-to-moderate income consumers increased access to mainstream financial products and services--without fleecing these same consumers with additional fees. Plus, unlike a large bank on Wall Street, there is no threat of harvesting deposits from rural and impoverished areas and migrating these funds to build and develop elsewhere.

Finally, credit union service options continue to evolve and become more consumer friendly with investments in emerging technology. Contactless kiosks in post office lobbies, backed by new payment platforms and mobile banking options are the key to financial services in a post-pandemic world. Credit unions are already operating along these principles and incorporating into post offices is an easy step.

The US Postal Service can partner with credit unions to offer a nonprofit alternative to the big banks. This would provide low-income and minority consumers an alternative to the legal loansharking which victimizes them today. Other questions are also easily addressed.

For instance, as part of the overall effort to expand access, the National Credit Union Administration (NCUA) could consider field of membership additions in a set radius, say five or 10 miles, around a participating post office. The NCUA could apply the same standards they currently use to approve low-income credit unions; meaning underserved communities and consumers who need financial services can safely obtain them from local sources.

In terms of credit union overlap, a process could also be established by NCUA that allows credit unions to bid for the right to provide these services at a post office. Much in the same way the DoD selects a defense credit union. This is both workable and necessary—credit unions that do not want to participate do not have to, while those that do can meet whatever legal requirements necessary for a credit union to work with the U.S. Postal Service and start serving consumers.

Credit unions never apologize for trying to serve people. It is in our ethos. Accordingly, this post office idea comes along at a time when credit unions are looking for ways to fulfill our legal mandate to serve.

In short, credit unions are ready, willing, and able. The Defense Credit Union Council stands ready to assist in exploring this alternative. Thank you for your consideration.

Sincerely,



Anthony R. Hernandez