

**Congress of the United States**  
**Washington, DC 20515**

October 30, 2019

Jerome Powell  
Chair  
Federal Reserve  
20th Street and Constitution Avenue N.W.  
Washington, D.C. 20551

Megan Brennan  
Postmaster General  
United States Postal Service  
475 L'Enfant Plaza S.W.  
Washington, D.C. 20260

Dear Chairman Powell and Postmaster General Brennan:

We write with interest in the announcement of the Federal Reserve's program, FedNow, which aims to expand the fast-payment infrastructure in this country by 2023. The goal of the program "to permit banks of every size in every community across the country to provide real-time payments to their customers"<sup>i</sup> is admirable. Unfortunately, many Americans live outside the mainstream financial system. To ensure all Americans have access to FedNow, we urge the Federal Reserve and United States Postal Service (USPS) to partner together to help reach Americans without means or access to mainstream financial services.

The Federal Deposit Insurance Corporation found in 2017 that some 63 million adults are considered 'underbanked'.<sup>ii</sup> Underbanked Americans are geographically, economically, and demographically diverse. Ninety percent of zip codes lacking a bank or credit union are in rural areas. Bank branches are also sparse in low income urban communities, with approximately 46 percent of Latino and 49 percent of African American households underbanked.

Americans lacking access to a mainstream financial service are often ineligible for banking options due to poor credit or are unable to afford fees associated with bank accounts and maintain bank account minimums. These consumers are often forced to turn to nontraditional financial providers to address regular or emergency financial needs. These predatory lenders routinely charge customers obscene interest rates – sometimes as high as 20 times more in interest than the average credit card – and can push borrowers into a cycle of poverty.<sup>iii</sup> Every year, 12 million borrowers spend more than \$7 billion on fees associated with payday loans.<sup>iv</sup> Often, it is the most vulnerable Americans that take out these loans, including those without a college degree, home renters, African Americans, those earning below \$40,000 annually, and those who are separated or divorced.<sup>v</sup>

As the Federal Reserve notes, making time-sensitive payments is important to households on a tight budget because this helps American families avoid relying on expensive check-cashing services, payday loan services, or incurring overdraft or late fees. This makes FedNow, a low-cost real-time payment option, critical for underbanked Americans.<sup>vi</sup>

In two reports over the past five years the USPS Office of the Inspector General (OIG) found that the USPS is well-suited to help bring financial services products to underbanked

communities. In 2014, the USPS OIG determined that the USPS “is well-positioned to provide non-bank financial services to those whose needs are not being met by the traditional financial sector”.<sup>vii</sup> The report found there is significant demand for these services from underbanked populations that the USPS could fill because of its vast network of 35,000 locations across every zip code.

In 2015, the USPS OIG concluded that expanding the current financial services offerings at USPS facilities is permissible under current statutory authority and could generate \$1.1 billion in additional revenue for USPS annually after five years.<sup>viii</sup> This same report highlighted that the USPS could enact node-to-node electronic money transfers, akin to digital money orders, under its current statutory authority. A node-to-node partnership between USPS and FedNow could enable real-time electronic money transfer services between any USPS branch and any FedNow partner across the country.

The USPS OIG specifically noted that online transfers “can take several business days to complete, thanks to the antiquated bank-to-bank transfer system in the United States”, a problem Governor Lael Brainard of the Board of Governors of the Federal Reserve System acknowledged as the impetus for developing FedNow program.<sup>ix</sup> Finally, the USPS OIG notes that USPS’s electronically linked internal infrastructure does not require a complex network of agents to process transactions. More control over the entire transaction process could enable FedNow to operate smoother and at a lower cost for consumers.

The USPS is afforded wide latitude by statute<sup>x</sup> to partner with executive branch agencies in furtherance of its services and products. Given that the USPS is not a chartered bank, it partners with the United States Department of the Treasury to make use of the Treasury’s General Account within the Federal Reserve to process roughly 95 million money orders each year.<sup>xi</sup> Expanding its partnership with the Treasury to include electronic money transfers processed through FedNow could help underbanked Americans.

A partnership between the Federal Reserve and the USPS could facilitate the FedNow service achieving universal access throughout the country. Our underbanked, underserved communities deserve nothing less than our best efforts to make affordable financial services accessible to all Americans.

Thank you very much for your attention to our request and we look forward to your response.

Sincerely,



Bill Pascrell, Jr.  
Member of Congress



Alexandria Ocasio-Cortez  
Member of Congress

<sup>i</sup> <https://www.federalreserve.gov/newsevents/speech/brainard20190805a.htm>

<sup>ii</sup> <https://www.fdic.gov/householdsurvey/2017/2017execsumm.pdf>

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  - iv <https://www.pewtrusts.org/en/research-and-analysis/reports/2012/07/19/who-borrows-where-they-borrow-and-why>
  - v <https://www.pewtrusts.org/en/research-and-analysis/reports/2012/07/19/who-borrows-where-they-borrow-and-why>
  - vi [https://www.federalreserve.gov/paymentsystems/fednow\\_faq.htm](https://www.federalreserve.gov/paymentsystems/fednow_faq.htm)
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