



December 1, 2014

Oppose the Reappointment of Mickey D. Barnett to USPS Board of Governors

Dear Senator:

On behalf of The Leadership Conference on Civil and Human Rights, a coalition of more than 200 national organizations committed to the protection and advancement of civil and human rights, we write to express our opposition to the reappointment of Mickey D. Barnett to serve as a Governor on the Board of Governors of the United States Postal Service (USPS). We are especially troubled that Mr. Barnett has previously worked as a lobbyist for the payday lending industry. Given the harmful effects of payday lending on the communities we represent, and the close relationship between the USPS and those communities, we urge the Senate to delay further consideration of Mr. Barnett's nomination until the 114th Congress to see if our concerns can be addressed.

Working on behalf of the New Mexico Independent Financial Services Association, Mr. Barnett lobbied policymakers in the previous decade to oppose regulation of the state's payday loan industry.ⁱ His efforts included lobbying a bill, ultimately passed into law in 2007, to limit payday loan fees to \$15.50 per \$100 borrowed and to keep borrowers from getting trapped in the endless cycles of borrowing that are the very business model of payday lending.ⁱⁱ Several years later, Mr. Barnett represented the World Finance Corporation of New Mexico, a short-term lender, arguing that a customer was required to seek arbitration of any disputes – in this case, over the company's misleading and abusive debt collection practices – but that the company itself was not. The Supreme Court of New Mexico unanimously rejected Mr. Barnett's and his client's position as unconscionable.ⁱⁱⁱ

We have long been concerned about the destructive effect of payday loans on the borrowers who get trapped in the repeated cycles of debt that make the industry profitable. While payday loans are marketed as easy and inexpensive solutions to financial emergencies, they rarely function as advertised because providers do not use sound underwriting practices prior to making them, particularly taking into account the ability of individual borrowers to repay their loans. As a result, cash-strapped consumers are often left with no choice at the end of the loan terms but to renew or quickly re-borrow (known as "churning"), with nearly half of payday loan customers having ten or more loans a year, and 14 percent of borrowers having twenty or more loans per year, according to the Consumer Financial Protection Bureau. Multiple studies have shown that payday lenders are heavily concentrated in African-American and Latino-American communities, where access to banks and

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Karen McGill Lawson

other mainstream financial service providers is limited, compared to other communities. They are also known to locate near military bases to provide greater access to low-paid and vulnerable military personnel.

We are especially concerned about Mr. Barnett's ties with this industry in the context of his reappointment, because of the close relationship between the USPS and the communities of color that have been disproportionately affected by payday lending and other predatory forms of credit. Because the USPS is located nationwide in both urban and rural areas, it serves as an important employer in these communities and a potential lifeline to other essential services. It is no surprise that a Gallup poll released just last week showed that Americans deliver high marks to USPS, rated highest out of 13 major federal agencies.^{iv} This suggests the public's willingness to consider the USPS as a potential venue for an array of important financial services.

Moreover, according to a YouGov survey conducted earlier this year, the USPS enjoys a high level of favorability among people of color.^v More importantly, the YouGov survey found higher support among communities of color for a recent proposal to have the USPS provide basic banking services – *i.e.* bill paying, check cashing, and small loans – to people who are not currently being reached by banks or credit unions. 52 percent of African American respondents and 50 percent of Hispanic respondents support the idea, compared to 42 percent of White respondents. We would be deeply troubled if anyone confirmed to a leadership position within the USPS used that position to promote, within communities of color, the sorts of practices we have seen in the payday lending industry.

At a time when the future of the USPS is unclear, largely because of Congress's inability to pass a comprehensive reform bill, it is especially important that the Board of Governors be comprised of individuals fully committed to the public service role of this great institution. This would include individuals who would be open to exploring all reasonable, public service oriented options which might contribute to the vitality and sustainability of the USPS.

We question whether Mr. Barnett can effectively meet this fundamental test. As a past lobbyist for the payday lending industry, Mr. Barnett has demonstrated a willingness to ignore the public interest in favor of the pecuniary interests of his clients. As chair of the Board of Governors, the role in which he currently serves, Mr. Barnett has a record of public service that is, at best, incompatible with the new ideas to foster innovation and growth, and instill confidence in postal employees and customers, that his role now requires. At worst, his service for the payday lending industry poses a potential conflict of interest for the consideration of proposals for a USPS role in the financial service marketplace.

The Leadership Conference believes that before Mr. Barnett's confirmation is considered by the Senate, he must be closely questioned on his current views about the practice of payday lending. He must give assurances that he would not use his position to promote the practices of the industry he previously represented. A thorough vetting of his position cannot be done in the short time left in the lame duck session of the 113th Congress. Therefore, we urge the Senate to wait

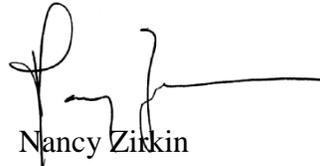
until the 114th Congress to consider Mr. Barnett's nomination. If the Senate moves to a vote at this time, we urge you to oppose confirmation.

Thank you for your consideration of our views. If you have any questions, please contact either of us, or Senior Counsel Rob Randhava, at (202) 466-3311.

Sincerely,



Wade Henderson
President & CEO



Nancy Zirkin
Executive Vice President

ⁱ Steve Terrell, Payday-Loan Money Attracts the Elite of New Mexico Lobbying, The Santa Fe New Mexican, Mar. 6, 2005 at A-1.

ⁱⁱ Leslie Linthicum, A New Era in Payday Loans, Albuquerque Journal, Nov. 1, 2007, at <http://www.abqjournal.com/news/state/606966nm11-01-07.htm>

ⁱⁱⁱ Cordova v. World Fin. Corp., 146 N.M. 256 (N.M. 2009)

^{iv} Gallup poll, Nov. 11-12 2014, at <http://www.gallup.com/poll/179519/americans-rate-postal-service-highest-major-agencies.aspx> (survey of 1,020 adults).

^v YouGov, Poll Results: Post Office Bank, Feb. 7-9, 2014, at <https://today.yougov.com/news/2014/02/10/poll-results-post-office-bank/> (survey of 1,000 adults; *see* full tables and demographic crossbreaks at 7).