U.S. Treasury Role as Lender to U.S. Postal Service
August 21, 2020

CLAIM: Treasury wants to privatize the USPS.

FALSE. THE FACTS:
- In 2018, Secretary Mnuchin was appointed Chair of the Task Force on the United States Postal System (Task Force), which evaluated potential options for reforming the USPS and concluded the USPS should not be privatized.
- The Task Force concluded the USPS is crucial to serving rural communities and small businesses and that it should remain an independent establishment of the Executive Branch.
- The Task Force also concluded the USPS required a new business model focused on providing essential services. The Task Force made administrative and legislative recommendations to meaningfully reform the USPS to achieve financial sustainability.
- The Task Force report stated: "The Task Force believes that maintaining [the USPS's] critical infrastructure as a national resource should be considered the primary business objective of the USPS under [a] new business model . . . . A business model that is based on serving as an essential service provider can support the stewardship of this infrastructure, provided that the USPS makes accommodating changes to its pricing, costing, customer, and revenue strategies."

CLAIM: Treasury interfered with the USPS Governors' selection and appointment of the new Postmaster General.

FALSE. THE FACTS:
- Neither Secretary Mnuchin nor any other Treasury official played any role in recruiting or suggesting Louis DeJoy to serve as Postmaster General.
- The USPS's Governors relied on two independent executive search firms to conduct the search for the candidates for the position of Postmaster General.
- Mr. DeJoy was interviewed, selected, and appointed Postmaster General on a bipartisan basis by the USPS's Governors, including a Governor who previously served in the Obama Administration.
- The hiring process was established and overseen by the USPS Board's Compensation and Governance Committee, and the decision was made by the Governors alone.
- Secretary Mnuchin did not know that Mr. DeJoy was even a candidate for the position prior to getting briefed on a list of finalists.

CLAIM: Treasury used its role as lender to the USPS to make political demands and to politicize the Postal Service.

FALSE. THE FACTS:
- In 2018 and 2019, Treasury attempted to update the terms and conditions of the Federal Financing Bank (FFB) lending agreement with the USPS. The lending agreement had not changed in over 20 years and did not reflect the USPS's worsening financial condition or the risks to the U.S. taxpayer. The USPS had incurred cumulative net losses of $76.5 billion in the 12 years prior to 2019.
- By law, Treasury lending to the USPS is based entirely on mutual agreement. Neither party has legal authority to dictate terms to the other party.
- To protect the taxpayer and as a matter of good government, the FFB proposed terms typical for a borrower with the USPS's financial profile. The USPS rejected those terms, and the lending agreement eventually expired.

- Still, Secretary Mnuchin personally assured Postmaster General Megan Brennan that the FFB would honor the existing lending agreement and allow the USPS to draw down the maximum amount before the lending facility expired.
- On April 3, 2020, the USPS drew down the remaining $3.4 billion available under the lending facility. The FFB's total outstanding loans to the USPS stand at $14.4 billion.
- Moreover, on July 28, 2020, Treasury and the USPS signed a new mutually agreeable term sheet for an additional $10 billion in lending authority included in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). In the CARES Act, Congress mandated that the USPS may only use such borrowed funds for operating expenses.
- The loan agreement should be finalized and fully operational within the next few weeks—well in advance of the USPS's projected need for its use.

CLAIM: Secretary Mnuchin insisted that all Republican appointees to the USPS Board of Governors and the Postal Regulatory Commission "come to kiss the ring" and issued orders to them.

FALSE. THE FACTS:
- By law, Secretary Mnuchin is the Chairman of the FFB, which serves as the sole lender to the USPS and has $14.4 billion in outstanding loans to the USPS.
- By Executive Order, Secretary Mnuchin was appointed Chairman of the President's Task Force on the United States Postal System.
- Secretary Mnuchin has met with new USPS Governors and PRC Commissioners in the normal course of fulfilling his obligations under these two roles.
- Like any responsible creditor, the Secretary takes seriously his responsibilities for sound stewardship of the taxpayer dollars the FFB has lent to the USPS.
- Moreover, he takes seriously the findings and recommendations of the Task Force, which concluded the USPS has suffered from a lack of institutional governance, including operating without a Board quorum, or with no Governors at all, from 2014 to 2019.
- Secretary Mnuchin has encouraged the USPS Board to strengthen the USPS's governance and management to improve the financial health of the USPS.

CLAIM: Treasury is not concerned about the USPS's ability to repay its $15 billion line of credit. Rather, "the real concern was that Treasury had borrowed and spent [the USPS's] $300 billion pension and retiree health fund. The interest rate set by Treasury for itself was so low that the funds were dying. Had the funds been invested in a retirement fund, the liability would have been fully funded by now."

FALSE. THE FACTS:
- Treasury invests all public funds, including the USPS's pension and retiree health benefits funds, in strict accordance with law.
- By law, the USPS's pension and retiree health benefits funds are invested in interest bearing obligations of the United States, i.e., Treasury securities.
- There is no legal authority to invest USPS funds in corporate securities, such as stocks and corporate bonds.
- Treasury does not set the interest rates on Treasury securities held by USPS funds for itself. The interest rates on Treasury securities—including marketable securities owned by the public and non-marketable securities owned by government agencies—are based on market prices established by market participants bidding on and trading Treasury securities in the market.