

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268B000

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS KOROMA TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM THE POSTAL SERVICE
(OCA/USPS--82)

The United States Postal Service hereby provides the response of witness Koroma to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS--82, filed on October 17, 2001, and redirected from the Postal Service.

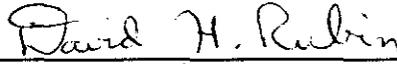
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



David H. Rubin

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October 31, 2001

**RESPONSE OF POSTAL SERVICE WITNESS KOROMA (USPS-T-37) TO
INTERROGATORY OF THE OFFICE OF CONSUMER ADVOCATE
REDIRECTED FROM THE POSTAL SERVICE**

OCA/USPS-82. The following refers to USPS-LR-J-144, volume 1, Module 7, page 134.

- (a) Please explain why a postal customer cannot purchase a postal money order or pay for the money order fees with a credit card.
- (b) Can a postal customer purchase a postal money order with a debit card?

RESPONSE:

- (a) The business decision not to accept credit cards as a payment method for the purchase of money orders was a joint decision made by Corporate Treasury and the Inspection Service. After assessing the risk and liability of permitting the use of credit cards for the purchase of money orders, it was found that the risk exposure to the Postal Service due to fraudulent use outweighed the service convenience to the postal customer.

Once purchased, a money order, regardless of what payment method is used, can be cashed immediately for its face value. Under the governance of the Card Association rules and regulations, a customer who has made purchases with a credit card has the right to dispute a purchase and request a chargeback of the amount of the sale. During the period in which the chargeback dispute is being resolved, the customer is not obligated to make payment on the credit card transaction to the card issuer. This period can range from 60 to 180 days. The customer would

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then have the cash in their possession as well as be alleviated from the obligation of paying the credit card company through the chargeback process.

This would enable the customer to get access to instant cash and not be obligated to pay. The fraudulent use of credit cards, either through theft or misuse of the cards, is sufficient to present the Postal Service with significant fiduciary risk. Therefore, Corporate Treasury and the Inspection Service have concluded that this financial exposure is sufficient to exclude credit cards as a payment method for the purchase of money orders.

In addition, the bank card associations strongly discourage use of credit cards for the purchase of cash-like instruments such as money orders, travelers checks and money transfers. In addition to fraud potential, the associations do not want cardholders to circumvent the cash advance provisions which many card-issuing banks offer their customers. Cash advances on credit cards are charged immediately as loans at the prevailing credit card interest rates.

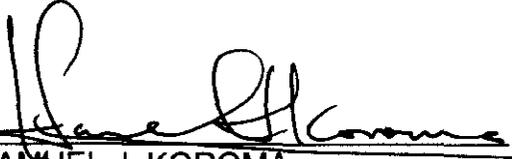
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Unlike purchases of merchandise, cash advances begin accruing interest immediately upon receipt of the funds. If a cardholder was able to charge a money order they could immediately turn-around and cash it and in effect receive a \$700 cash advance for only 90 cents at the current money order limit and fees. Because of these concerns, the card associations require special handling of credit card purchases for cash-like instruments.

(b) Yes.

DECLARATION

I, Samuel J. Koroma, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

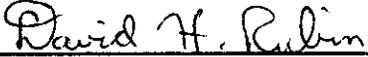


SAMUEL J. KOROMA

Dated: OCTOBER 31, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



David H. Rubin

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