

## Metropolitan National Bank

### Re: Expansion Opportunities for NYS' *Banking Development District* ("BDD") Program –

In light of current efforts by New York State's Banking Department to seek input from the financial services industry regarding new avenues of expansion for its BDD Program, Metropolitan National Bank ("MNB") appreciates the opportunity to highlight possible alternative means for banks and other providers of banking services to make available these needs to a broader base within the community as a whole. Over the years, our Bank has striven to foster this common goal of bringing a variety of such services to the 'un-banked' and the 'under-banked', and continues to look for new and innovative means to achieve those objectives.

#### *Achieving the Requirements & the Spirit of the BDD Program Using 21<sup>st</sup> Century Technology*

When implemented in 1999, the goal in establishing *Banking Development Districts* as envisioned by the legislature was primarily aimed at two key components:

- enhance access by *consumers* to banking services and promote local economic development; and
- promote *long-term economic growth and foster job creation*, as well as community stabilization and revitalization.

Great strides have been made over the initial 10 years of the BDD Program, with the establishment of **38** Banking Business Districts, including 25 in sections of all five boroughs of New York City, thus creating greater access to the banking needs of those communities. Nevertheless, there is still much that can be done and new avenues of expansion are needed to continue the momentum.

One such approach may be to look at a broader means of delivering these services, some of which may be more cost-effective, thus allowing more small and startup banks and other "alternative providers of banking services" to participate in the process, particularly those that may more readily be accepted and utilized by the target population. As originally formulated, the BDD program has looked to 'brick and mortar', full-service branches as the core mechanism to deliver these basic banking services. Such a presence has been viewed up until now as essential to the economic development of such underserved areas. However, the evolving landscape of today's financial services industry and the economic climate arguably warrants a reevaluation of how our communities can be served most effectively. Such vision can benefit both key components of the un-banked and under-banked community – small businesses and consumers, as well as the banking industry:

#### *Businesses*

The advent of *Check 21* legislation has accelerated expansion of the accessibility to deposit services to businesses of all sizes and types through *Remote Deposit Capture* ("*RDC*"). Banks can now extend beyond the limited reach of their respective branch networks in providing core financial services to small businesses in previously under-served areas. Not only does *RDC* allow such businesses access to banks with non-local branch locations via the use on on-site scanners to create electronic checks and deposits, it also creates the bridge to establish a broader banking relationship, by serving as a conduit for financing, online banking, bill pay and other electronically-based banking services.

#### *Consumers*

As initially envisioned, the primary beneficiary of the BDD Program were under-served individuals who would gain access to financial services in those locations where previously it had not been economically feasible for banks to establish branches. While the current economic climate continues to make that a challenge for many small and mid-size banks, the explosion of technological advances over the last decade

in the field of electronic payment systems has altered the playing field. In addition to the growth of ATM networks and debit cards, newer tools such as electronic check conversion and (pre-paid) stored value cards provide the impetus for meeting traditional banking needs for consumers.

### ***Helping to Meet the BDD Goals Using Bank Affiliated Alternative Banking Service Providers***

The untapped potential now made possible by technology, an expanded vision of how the goals of the BDD Program can be achieved would enable institutions such as Metropolitan National Bank, working in conjunction with *affiliated* 'alternative providers' through its subsidiary, *CashZone Check Cashing Corp.*, to deliver these needed services (*see attached summary of CashZone services*). As part of a larger strategy of developing banking and other financial service products for the so-called "un-banked" and "under-banked," Metropolitan National Bank's CashZone® retail financial services subsidiary introduced a Visa®-branded prepaid debit card. With fundamentally all the functionality of a bank-issued Visa debit card, the CashZone prepaid Visa card is a major step forward into the financial mainstream for the typical CashZone customer. MNB is one of the first banks to offer a product of this kind to large numbers of unbanked customers. Metropolitan National Bank believes that a majority of these new and under-served consumers will make longstanding customers for other traditional banking services. Our work with CashZone has taken MNB a huge step closer than a number of mainstream financial institutions in capturing this critical and growing market .

Therefore, as a result of these joint efforts between a bank and its affiliated alternative financial services provider, the objectives of the BDD Program can be achieved by new participants via a broader view of service delivery to both small businesses and consumers. Such alternative providers can be the initial gateway to establishing a financial relationship, both for consumers (through prepaid cards and related financial services) and, for small businesses (with employer programs to offer such cards for an entire company's payroll). A bank can then offer such customers in that same community the opportunity to establish a *Remote Deposit* relationship for deposit services and perhaps the potential for financing needs as well. Two such examples are current *CashZone* locations:

- ***3813 Dyre Ave. in the Bronx.*** Located in an area that is presently served by approximately only 3 bank branches within a 1 mile radius (as per *Yellowbook*) and nearby to the approved *Williamsbridge Enriched BDD* and contiguous to two under-served low-mod census tracts; and
- ***35-52 31<sup>st</sup> Street, Long Island City, Queens*** Located in a census tract which is partially within the approved *Long Island City Enriched BDD* and is in an otherwise under-served area.

Based on *CashZone's* continuing focus on the un-banked and the under-banked, these locations can be seen as potential centers to provide expanded access to financial services for that community, when viewed in this broader context. In addition to directly serving *CashZone* consumer prepaid cards issued by MNB and small businesses' payroll needs, it can then provide access to various bank services to those same customers through *CashZone's* inter-relationship with its parent (MNB). Through CashZone, the bank can reach out to newly established relationships to consider them for Remote Deposit, online banking and financing (since, as a practical matter, many bank loans are not independently approved at the branch level). *CashZone* and MNB are also making further efforts to bring 'traditional' bank products to these previously under-banked customers, by soon launching a 'savings' component to its prepaid cards.

As New York continues to lead the way in seeking new ways to expand the reach of bank services, Metropolitan National Bank believes that such a broadened view of delivery methods, as proposed above, will serve the intended community as a whole. By utilizing a network of *affiliated* financial service centers as a gateway to additional banking services and products, the industry can leverage existing capabilities to continue to meet critical community needs. If such an approach is adopted, qualifying banks could then

earmark benefits such as municipal deposits to needs in the BDD community, regardless of where the deposits are held. Thank you for the opportunity to submit this proposal on this topic.

***Other BDD-related Issues for Consideration***

In addition to the above proposal for consideration as a means to expand BDD participation, MNB would also support consideration of allowing other banks to share in the benefits of existing BDD sites. Thus, both banks already located in a BDD, as well as those looking to open new branches in one, would not be eliminated from the process if they are unable to either obtain approval of a newly designated BDD or open a branch (due to economic constraints). This could be done on a pro rata or tiered basis, with only the bank sponsoring the BDD receiving the full benefit, but still provide a broader incentive base in order to encourage more banks to participate and thus enhance the outreach to the community.

### **CashZone and Metropolitan National Bank - Synergy. Security. Stability.**

CashZone is one of New York's premier check cashing and retail financial services company, serving over 110,000 members annually.

CashZone is dedicated to providing levels of customer service, security and efficiency unprecedented in the retail financial services industry, giving customers access to money and services around the globe, not just around the neighborhood.

Working together to provide superior retail financial services to a new generation of Americans, Metropolitan National Bank, a federally chartered commercial bank with over \$500 million in assets as of December 31, 2008 and headquartered in New York City, operates CashZone Check Cashing Corporation as a wholly-owned subsidiary.

Working with Metropolitan National Bank means CashZone has the corporate backing and infrastructure it needs to support and improve core customer services, while introducing an expanding array of attractive and innovative products. Such services include *cashing a wide variety of checks at all CashZone Financial Centers*, such as:

- Payroll
- Government (Federal, State and City checks, including Social Security, VA Checks, Unemployment, Disability, and more)
- Tax Refund (Federal, State and Rapid Refunds)
- Law Firm Settlement Checks and Insurance Drafts
- Cashiers, Certified, and Bank Checks
- 401K and Profit Sharing Checks
- Money Orders

Other *CashZone* products and services for consumers include:

- Prepaid Debit Cards, accepted everywhere Visa debit cards are accepted
- Money orders
- Pay bill - CashZone is an authorized Verizon, AT&T, and Cablevision payment center, and *can* accept payments for Con Ed, credit cards and hundreds of other companies and services
- Stamps, a MetroCard or a Phone Card

### **CashZone Membership.**

When individuals cash a check at CashZone, they automatically receive a *complimentary* CashZone Silver Card or CashZone prepaid Visa card, which entitles them to cash checks at any of our conveniently-located CashZone Financial Centers.

### **CASHZONE FOR BUSINESSES**

CashZone offers a number of services for businesses, including **CashZone Visa Direct Deposit** and other **Payroll Services**.

**CashZone Visa Direct Deposit** is direct deposit of employee pay onto a Metropolitan National Bank-issued CashZone prepaid Visa card. Direct deposit is available to employees with or without bank accounts, saving employers and employees significant time and money.

CashZone also offers a well-established **Payroll Services** program tailored to employers' specific business

needs. Examples of current programs:

- CashZone cashes employees' checks and packages pay envelopes to be picked up by the employer's representative and distributed to employees
- CashZone cashes all checks for an employer at a discounted rate
- CashZone bills employers or their banks for employees' check cashing fees

### **CashZone and Metropolitan National Bank**

For CashZone's corporate customers, who may be uneasy partnering with traditional check cashers, CashZone's ownership by Metropolitan National Bank offers them the peace of mind of partnering with a bank. And Metropolitan National Bank provides not just capital and infrastructure, but a substantial history of long-term commercial relationships with New York-area businesses, and an ongoing commitment to serving today's working families by helping them reach their American dream.

### **Bill payment**

#### **Pay your bills at any CashZone Financial Center**

CashZone offers a number of convenient ways to pay bills:

- Money Orders
- Authorized same-day and next-day bill payments
- MoneyGram ExpressPayment
- Prepaid Visa Debit Cards

### **Worldwide money transfer**

CashZone offers the most choices, and the most up-to-date technologies, for sending money, anywhere in the world

- CashZone Visa
- MoneyGram
- Money Orders

### **Other services**

- ATM (Automated Teller Machine)
- EBT (Electronic Benefit Transactions)
- Prepaid phone and wireless card
- Money Transfers