



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**February 26, 2007**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Metropolitan National Bank  
Charter Number 23576**

**99 Park Avenue, 4th Floor  
New York, NY 10016**

**Comptroller of the Currency  
New York Metro-east  
343 Thornall Street Suite 610  
Edison, NJ 08837**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- The loan-to-deposit ratio exceeds peer ratios.
- The majority of the bank's loans are within the assessment area.
- The distribution of loans reflects reasonable penetration among individuals of different income levels.
- The geographic distribution of loans reflects more than reasonable dispersion throughout the assessment area.
- The bank has taken appropriate action in response to substantiated complaints about its performance in meeting assessment area credit needs.
- The bank's community development performance demonstrates satisfactory responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services.

## **SCOPE OF EXAMINATION**

We evaluated the bank's Community Reinvestment Act (CRA) performance under the Lending and Community Development tests as described under the Intermediate Small Bank CRA guidance. The evaluation period covers December 2001 through December 2006.

For the Lending test, we evaluated the bank's HMDA reportable loans. The evaluation period for HMDA data covers January 1<sup>st</sup>, 2004 through December 31<sup>st</sup>, 2006. These years were chosen because the bank's mortgage subsidiary, Metropolitan National Bank Mortgage Company, LLC (MNB Mortgage), was launched in July 2004. As the primary retail vehicle for the bank, an analysis of the mortgage company is more meaningful, because the bank's retail portfolio is insignificant. We compared HMDA loan data against 2000 US census data. Small business loans were not analyzed because small business lending is not a primary loan type.

For the Community Development test, we evaluated the bank's community development loans, qualified investments and community development services from January 1<sup>st</sup>, 2001 through December 31<sup>st</sup>, 2006. Community development services were evaluated through CashZone Check Cashing Corporation (CashZone), the bank's subsidiary that provides the main community services channel for the bank.

A data integrity examination was conducted prior to this evaluation to assess the accuracy of the bank's HMDA data, community development loans, investments and services. The data integrity examination concluded data were sufficiently accurate to provide a reliable analysis of the bank's information.

## **DESCRIPTION OF INSTITUTION**

Metropolitan National Bank (MNB) is a \$458.8 million intrastate bank headquartered in New York City, New York. MNB is primarily a commercial bank with three full-service branches within the bank's assessment area, in New York City.

MNB is organized under a one-bank holding company, Metropolitan Bank Holding Corp. Metropolitan Bank Holding Corp. owns 100% of MNB stock. PASL Holding LLC is considered to be the top-tier holding company as they maintain majority ownership in Metropolitan Bank Holding Corp. MNB subsidiaries include MNB Mortgage and CashZone. MNB Mortgage is a wholly-owned subsidiary of MNB, operating as a single family residential mortgage banking company. MNB's wholly-owned subsidiary CashZone, offers retail financial services within the bank's assessment area. Cash Zone was first purchased July 1, 2001, as a check-cashing company operating in two to three locations in New York City. In January 2003, MNB purchased J&R Check Cashing, increasing the number of stores to a total of fifteen. In December 2003, MNB began reporting CashZone in the consolidated financial statements.

MNB is a community bank that offers a variety of products ranging from personal and commercial checking accounts, money market and savings accounts, Certificates of Deposit and online banking. The bank's business focus is on commercial and commercial real-estate lending, however loan products also include asset-based lending, leasing and trade services. The bank's mortgage subsidiary provides one to four family residential mortgages, second mortgages, and home equity lines of credit. CashZone offers retail financial services, including cashing of payroll checks for those customers without bank accounts or with relatively modest account balances, cashing of government and insurance checks, selling money orders, transferring money, issuing prepaid debit cards, and paying utility and other bills.

The bank's assessment area, the New York-New Jersey-Long Island MSA, is a highly competitive market environment dominated by large institutions. JP Morgan Chase N.A. and Citibank N.A. control 42 percent of the market share in the MSA. With 242 institutions in the same area, MNB controls only 0.04 percent of the market share. Retail lending is highly competitive due to larger institutions. Despite a highly competitive market, the bank has the capacity to assist in meeting the credit needs of its assessment area. There are no legal, significant financial or other factors which would impact the bank's ability to help meet the credit needs of its community.

Metropolitan National Bank's performance under the Community Reinvestment Act was last evaluated in June 2001, based upon standards applicable to small banks. The bank's overall level of performance was satisfactory.

## **DESCRIPTION OF NEW YORK –NEW JERSEY-LONG ISLAND ASSESSMENT AREA**

MNB's assessment area consists of one Metropolitan Statistical Area (MSA 35620) that covers the New York-New Jersey-Long Island region. Within the MSA, the bank has two metropolitan divisions (MDs), one of which is a multi-state metropolitan division - 35644; this includes New York and New Jersey. The New York MD includes New York-Wayne-White Plains and contains eight counties - the Bronx, Queens, New York, Putnam, Kings, Rockland, Richmond and Westchester. There are 2515 census tracts within these counties. Thirteen percent of these tracts are low-income, 25.2% are moderate, 28.27% are middle-income and 30.78% are upper income census tracts. The New Jersey division contains three counties - Bergen, Hudson and Passaic counties. There are 406 census tracts within these counties. Within the tracts, 1.97% are low-income, 20.20% are moderate-income, 29.80% are middle-income and 47.29% are upper-income tracts. The Nassau-Suffolk metropolitan division contains only Nassau and Suffolk counties and has 597 census tracts between the counties. These tracts include 0.67% low-income tracts, 14.07% moderate income, 62.81% middle income and 19.77% upper income tracts. The New York MD contains all of the bank's branches and the majority of the business generated is within this area. Our analysis is conducted at the metropolitan division level and then summarized as a single multi-state MSA rating.

The New York MD has a median household income of \$43,393. Low income households comprise 25.27% of the population and 13.91% of households live below the poverty level. Within the MD, there are 7.68 MM housing units. Ninety-two percent of these are occupied and 48.69% are owner-occupied units, with a median housing value of \$147,600. The unemployment rate according to 2006 economic reports is currently 4.8%; however the decline in unemployment has been coupled by a contraction in the labor force. According to 2006 economic reports, growth in the region is expected to ease as hiring in the financial services sector slows. New York has not experienced the anticipated housing-market crash; however the lack of affordable housing remains a major concern in the region and is forecasted to impact long term growth.

The New Jersey MD has a median household income of \$55,146. Low income households represent 23.38% of households and 8.29% of households live below the poverty level. Within this MD, there are 3.31MM housing units, of which 93% are occupied and of these, 60.76% are owner-occupied units. The median housing value in this New Jersey MD is \$167,900. The unemployment rate according to 2006 figures is 5%. The state is experiencing decelerated growth exacerbated by high costs of living and unfavorable demographics. The strongest assets in the region belong to healthcare, biotechnology, financial services and tourism-related industries.

The Nassau-Suffolk MD has a median household income of \$71,152. Low income households comprise 21.78% of households and 5.45% of households live below the poverty level. Within Nassau-Suffolk County, there are 980M household units, of which 93% are occupied and 74.82% are owner-occupied units. The median housing value in this area is \$246,467. The unemployment rate according to 2006 figures is 3.9%. The area's growth is expected to slow due

to a cooling housing market and this represents the biggest obstacle to economic expansion. Unfavorable demographics, the lack of affordable housing and major growth-industries remain impediments to growth.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Lending Test**

The bank's CRA performance for lending is satisfactory. We based this conclusion on HMDA reportable loans, including residential home purchase and refinance loans (the bank does not originate/purchase home improvement loans).

### **Loan-to-Deposit Ratio**

The bank's quarterly average loan-to-deposit ratio from 2001 through 2006 is 89.40%\*. This is more than reasonable given the bank's size, financial condition and Assessment Area (AA) credit needs. MNB ranks first in comparison to similarly situated banks which are defined as those national and state chartered banks with total assets (as of December 31, 2006) between \$335MM and \$590MM, with branches located in New York State. There are 242 institutions operating in MNB's New York-New Jersey-Long Island MSA. With 100% of its deposits within this MSA, MNB ranks 102<sup>nd</sup> with a deposit market share of 0.04%. JP Morgan Chase N.A Bank ranks first, controlling 26.37% of the entire market share. Compared to the other banks with a peer loan-to- deposit ratio average of 67%, MNB exceeds peer ratios at 89%.

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\* Quarterly average loan-to-deposit ratios were from the Uniform Bank Performance Report (UBPR) data found on the Financial Institution Data Retrieval System.

## Lending in Assessment Area

The level of lending within the bank's MSA is reasonable. The majority of loans and other lending related activities are within this AA. The bank's inside AA lending is 74.91% in loan dollar volume and 65.53% in number of loans. We evaluated the bank's loan performance based on its reported HMDA data. In addition, 100% of the bank's community development loans, services and investments were generated within the MSA.

<b>Table 1 – Assessment Area Lending NY-NJ-Nassau/Suffolk Totals</b>									
Loan Type	Number of Loans				Dollars of Loans				Total (000's)
	Inside		Outside		Inside		Outside		
	#	%	#	%	\$	%	\$	%	
Home Purchase	574	65.38	304	34.62	219031	77.1	64783	22.83	283,814
Home Refinance	405	65.85	210	34.15	172565	72.22	66367	27.78	238,932
Totals	979	65.53	514	34.43	391596	74.91	131150	25.09	\$522,916

*Reported HMDA data 2004-2006*

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, the bank's lending to low and moderate income borrowers is satisfactory. The distribution of loans reflects, given the demographics of the various areas, minimal penetration among individuals of different income levels. However, there are several mitigating factors that result in an overall satisfactory rating. We analyzed the data using the bank's HMDA reportable loans and 2000 US Census Data.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans - New York (35644)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans
Purchase	27.89	1.01	15.69	2.79	16.62	5.33	39.79	67.78
Refinance	27.89	1.74	15.69	2.61	16.62	5.23	39.79	54.78
Total	27.89	1.28	15.69	2.72	16.62	5.23	39.79	62.98

*numbers are skewed due to large portion of n/a loans*

*2000 Census Data, reported HMDA data 2004-2006*

The New York MD contains a significantly high concentration of low-moderate income geographies, with 13.9 percent of families living below the poverty line. In addition, according to 2000 US Census data, owner-occupied housing in low-income census tracts totals only 0.22 percent and 12.21 percent in moderate census tracts. These factors hinder the ability of the bank to target these individuals. While significantly below the percentage of existing percentages of

low-moderate households in the area, lesser penetration is a greater reflection of limited opportunities in these demographics. In addition, intense competition from larger banks offering better and more flexible rates could also contribute to lesser levels of penetration. Peer performance exhibit similar lending patterns, and while lending is considered only adequate we do not believe the bank is intentionally avoiding these areas.

The New Jersey and Nassau-Suffolk regions exhibit similar performance in terms of borrower-distribution:

<b>Table 2 – Borrower Distribution of Residential Real Estate Loans - New Jersey (35644)<sup>1</sup></b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans
Purchase	16.36	2.13	14.10	0	17.44	1.06	52.10	70.21
Refinance	16.36	1.54	14.10	0	17.44	1.54	52.10	61.54
Total	16.36	1.89	14.10	0	17.44	1.26	52.10	66.67

*numbers are skewed due to large portion of n/a loans*

2000 Census Data, reported HMDA data 2004-2006

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans – Nassau Suffolk (35004)<sup>2</sup></b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans
Purchase	18.03	0	18.61	2.33	24.19	17.44	39.18	55.81
Refinance	18.03	0.91	18.61	0.91	24.19	6.36	39.18	46.36
Total	18.03	0.51	18.61	1.53	24.19	11.22	39.18	36.22

*numbers are skewed due to large portion of n/a loans*

2000 Census Data, reported HMDA data 2004-2006

In terms of how this distribution is viewed, we weigh the New York MD more heavily due to the fact that the bank has no physical presence in these two areas and activity is significantly less compared to the New York MD. Overall, lending in these regions exhibits low penetration, but given the financial condition of the bank and the demographics of the region, we view the level of penetration as satisfactory.

### **Geographic Distribution of Loans**

The geographic distribution of loans in the New York MD reflects more than reasonable dispersion throughout the AA. Data are compiled from HMDA reported loans and 2000 US Census data. As shown below, the bank’s residential real estate loans show excellent dispersion among low-moderate income geographies and either meets or exceeds the percentage of owner-occupied housing percentages in those areas.

<sup>1</sup> Data is from bank provided HMDA data (2004-2006) and 2000 US Census data

<sup>2</sup> Data is from bank provided HMDA data (2004-2006) and 2000 US Census data

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans – New York (35644)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of No. of Loans	% of AA Owner Occupied Housing	% of No. of Loans	% of AA Owner Occupied Housing	% of No. of Loans	% of AA Owner Occupied Housing	% of No. of Loans
Purchase	6.51	6.85	17.09	25.13	36.69	29.95	51.11	38.07
Refinance	6.51	8.26	17.09	25.65	36.69	36.96	51.11	28.70

2000 Census Data, reported HMDA data 2004-2006

The bank's other Metropolitan Divisions show lower levels of dispersion among moderate and low income tracts. However, due to the lack of physical presence in these regions and the significantly less banking activity in these areas, less weight is placed on these areas and more is placed on the New York Metropolitan Division.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans – New Jersey (35644)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of No. of Loans	% of AA Owner Occupied Housing	% of No. of Loans	% of AA Owner Occupied Housing	% of No. of Loans	% of AA Owner Occupied Housing	% of No. of Loans
Purchase	6.8	0	20.76	10.64	36.18	29.79	69.41	59.57
Refinance	6.8	0	20.76	9.23	36.18	18.46	69.41	72.31

2000 Census Data, reported HMDA data 2004-2006

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans – Nassau Suffolk (35004)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of No. of Loans	% of AA Owner Occupied Housing	% of No. of Loans	% of AA Owner Occupied Housing	% of No. of Loans	% of AA Owner Occupied Housing	% of No. of Loans
Purchase	25.12	5	56.92	22	76.05	32	87.99	40
Refinance	25.12	4.70	56.92	27	76.05	34	87.99	33

2000 Census Data, reported HMDA data 2004-2006

### Responses to Complaints

The bank has not received any CRA-related consumer complaints since the last CRA



examination.

### **Community Development Test**

The bank's performance under the Community Development Test is "Satisfactory."

MNB's community development performance demonstrates excellent responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, given the bank's capacity and the community need and availability of community development opportunities in the assessment areas. All community development loans, investments and services were made within the New York MD, therefore we did not analyze New Jersey and the Nassau-Suffolk region for this portion of the test.

### **Number and Amount of Community Development Loans**

The bank's level of community development ("CD") lending exhibits good responsiveness to the credit needs of the bank's assessment area. MNB originated nine loans, totaling \$23.2 million, in the assessment area. The overall volume of CD lending represents 5.5% of the bank's average assets reported at year-end 2006. MNB's amount for qualified CD loans is considered very favorable in comparison to peer institutions.

The primary purpose of the loans considered for CRA purposes, meet the definition of community development, as prescribed in the regulation. All loans were made within low-to-moderate income level geographies for the construction of affordable housing (\$10 million), promoting economic development (\$4.5 million), or the revitalization or stabilization of the geographies (\$8.7 million).

### **Number and Amount of Qualified Investments**

MNB has an adequate level of qualified investments, totaling \$527,500, comprised of seven donations and one investment. This volume reflects approximately 0.13% of the bank's year-end 2006 reported average assets. Qualified investments provide benefit to low or moderate income individuals in the bank's assessment area.

### **Extent to which the Bank Provides Community Development Services**

The level and quality of Community Development Services meets the criteria for a satisfactory performance. Management provided the retail services offered by CashZone, a wholly owned subsidiary, for consideration as part of the CRA Performance Evaluation.

CashZone provides retail banking services to the general public. The subsidiary's target market is those individuals underserved by the financial services industry. CashZone offers a variety of products, including: a Visa debit card, wire transfer services, money orders, bill payment services and check cashing. Customers are offered direct deposit and payroll services through

the Visa debit card.

There are fifteen CashZone branches and one automated teller machine (“ATM”) in the New York Metro Area. While only two of the branches and the ATM are located in low or moderate income geographies, management provided information regarding the demographics of the customers to demonstrate the services provided to low or moderate income individuals. Approximately 61% of the Visa Debit Card customers were sampled and all resided in low income geographies, according to the 2000 US Census Bureau.

### **Bank’s Responsiveness, through Community Development Activities, to Community Development Lending, Investment, and Services Needs**

MNB’s CD activities are responsive to the assessment area needs. One of the primary community-needs remains affordable housing. The bank has been able to meet these needs through CD loans for the construction of affordable housing. Recent economic reports forecast that deteriorating demographic trends, along with low housing affordability, will be the primary risks facing the New York Metro Region.

The bank’s level of CD services is responsive to providing retail banking services to the ‘unbanked,’ individuals that lack a formal relationship with a financial institution. A recent national study, completed in 2006, reported that approximately 5.2% (10.2 million) people are considered to be unbanked. Eighty-percent of these individuals without a checking account earn incomes below \$25,000. Another study completed of retail banking services in New York City further evidenced the need for providing banking services to the unbanked.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.