

BANK WITHDRAWAL

Rochester has lost almost a third of its bank branches in the last two decades. City residents who don't have cars are often forced to use neighborhood check cashers who can charge high fees.

Changing times The Bethesda New Life Fellowship Church at 920 W. Main St. is the former site of a First Federal bank branch.

JAMIE GERMANO staff photographer

By SHERRIE NEGREA
STAFF WRITER

The parking lot outside Chester's Plaza throbs with the sounds of rap music and revving motors as Karen Kerr pulls up on a fading summer afternoon.

Clutching her paycheck, Kerr walks into a small store and plunks down her week's earnings in front of a teller sitting behind a thick wall of bulletproof glass.

Minutes later, she leaves with her money. The fee for cashing her check: \$3.25.

"They charge outrageous prices to cash it," the 38-year-old single mother says with a look of disgust. "I could take it to my bank, but it's so far away."

In Kerr's neighborhood — the 19th Ward in southwest Rochester — three banks, including the branch she once used, have closed. Her choice now is to drive to her new bank in Henrietta or use Chester's Check Cashing Center.

Over the last two decades, Rochester has lost 32 percent of its bank branches, leaving residents like Kerr with few places to cash checks or save money.

By this September, two more city banks will close, dropping the number of branches in Rochester to 47.

"In order to be a viable neighborhood you have to have access to services," said Dana Miller, president of the 19th Ward Community Association.

"The one that always gets mentioned is groceries," he said. "But there are other services that we need to have access to in a convenient way, and one of them is a bank."

The exodus of banks from Rochester has opened up the market for a burgeoning crop of check cashers, who typically charge 2½ times the amount a bank does, according to a study by the State University of New York at Albany.

With fewer banks in the city, the people who depend on check cashers — typically the working poor — are discouraged from saving money, making it more difficult for them to escape poverty, experts say.

"You can live off check cashers, but I wouldn't suggest it," said Donald J. Reeb, an economist who directed the study at SUNY Albany. "There's no way you could ever buy a house. There's just no way to do that."

Under state law, businesses that cash checks must be licensed if they charge more than 50 cents for the service. Yet in Rochester, only one such business — Chester's — is registered with the state, records show.

Nearly 20 grocery stores and other businesses in Rochester illegally cash checks and charge more than the state's permitted fee of 1.1 percent, according to interviews and testing done by

The COST of BEING POOR

Banks per people

2.12 city banks
(per 10,000 residents)



3.26 suburban banks
(per 10,000 residents)



SOURCES: Federal Deposit Insurance Corp., U.S. Bureau of the Census and staff research

KEVIN M. SMITH staff artist

the *Democrat and Chronicle*.

State banking officials say they are unaware of the network of unlicensed check cashers in Rochester, but say they will investigate the problem.

"I guess I would not want to speak until I knew exactly how pervasive it was and how exorbitant the fees they were charging," said Neil D. Levin, the state's banking superintendent.

Withering branches

While the number of banks in Rochester's suburbs grew by 15 percent over the last two decades, branches disappeared throughout city neighborhoods.

Downtown — the financial hub of the metropolitan area — lost 21 bank offices and branches, representing 57 percent of the total that closed.

But the city's predominantly minority neighborhoods were hardest hit by the retrenchment.

Today, only two banks serve the 40,646 residents who live in neighborhoods with at least 75 percent minority populations, according to an analysis of U.S. Census Bureau data.

By comparison, 25 banks are located in areas with more than 75 percent white populations, the analysis showed.

"The unfortunate thing is that lower income people have stayed in the city," said R. Carlos Carballada, president of First National Bank of Rochester. "They have not had the wherewithal to move out."

"Any company that is a profit-making company will seek the easiest markets to get a return for their shareholders," he said.

Three years ago, First National followed that advice when it closed its branch on Lyell Avenue. The bank only has one office left in the city — its downtown headquarters.

First National is one of three banks that fled the Lyell Avenue area in the last decade, creating a hardship for residents with no cars.

"I would like to see a bank back in the neighborhood because I don't drive and it's hard for me to get downtown," said Mary Capaldo, 52, a bus attendant who lives three blocks from Lyell. "For me to walk, it's a hike, especially on a rainy day."

Another neighborhood that saw most of its bank branches vanish is the 14621 area in northeast Rochester. In 1976, the neighborhood, which has five commercial strips, boasted seven banks; now there are two.

"When a bank moves out, it's symbolic and it's realistic of the disinvestment in the neighborhood," said Carol Schwartz, director of the Group 14621 Community Association.

Heywood Laverne, 33, who lives on Conkey Avenue in the 14621 area, has no bank account so he relies on Chester's on North Clinton Avenue. He reluctantly pays a \$2 fee to cash his paycheck each week.

"My reason for not going to the bank is transportation," said Laverne, the father of eight children, as he left Chester's on a recent afternoon. "I don't have a car."

The decline of banks in minority neighborhoods is not unique to Rochester. Throughout the country, banks have been abandoning urban communities and the myriad of problems that accompany them.

"Most bankers feel that there's not only high risk, but there's unnecessarily high risk in servicing these accounts in disadvantaged neighborhoods," said Sanjay Mongia, assistant director of The Jerome Levey Economics Institute of Bard College.

"When you consider all the other social ills — less safety, higher unemployment, less savings — all these elements combine to paint a picture that's high risk for a banker," he said.

In Rochester, Marine Midland Bank decided the risk of operating

a branch on Hudson Avenue was too great after a city police sergeant was shot during a bank robbery last December.

The branch will close in September.

"That is a direct product of the frequent and violent robberies," said Kathleen Whelehan, regional president of Marine Midland Bank.

The branch, at 1500 Hudson Ave., is only the second that Marine Midland has closed in the city during the last 20 years.

Other banks in Rochester cannot claim a comparable record.

Chase Manhattan Bank has closed eight city branches since 1976 — more than any other bank in Rochester. The bank will shut its ninth city branch, at 1495 Lake Ave., in August.

Chase officials attribute the bank's shrinking presence in Roch-

ester to its acquisition of Lincoln First Bank in 1984 and the shift toward electronic banking.

While the bank had no automatic teller machines 20 years ago, Chase now has 52 ATMs in Monroe County, including 17 in the city.

"While there may not be as many branches, there is a lot better access because those ATM machines are open 24 hours a day and represent a greater convenience," said Bill Richardson, the bank's regional president.

The check cashers

If you don't have a car, however, it is still difficult to get to an ATM machine in wide swaths of Rochester. And as grocery stores — one traditional location for ATMs — leave the city — electronic banking has become less accessible.

In the 19th Ward, for example, there are only two ATMs serving a population of more than 60,000 people, neighborhood leaders say.

Kerr, a bill collector who lives on Wellington Avenue in the 19th Ward, does not use an ATM because of fear.

"There's a lot of drug dealers hanging around," she said. "And if you use the ATM you are taking a risk."

So every Friday afternoon, she stops at Chester's Cashing Center on West Broad Street. "It's worth it to me because I don't have to fight the traffic to the bank," she said.

Kerr is not alone. Two-thirds of the people who use check cashing stores have bank accounts, according to the National Check Cashers Association, a trade group based in Paramus, N.J.

Convenience is the main reason, check cashers say.

"We can cash 100 checks in an hour while the banks will take three hours," says Chester Palozzi, who has been cashing checks in Rochester for 30 years.

Palozzi originally started his business as a Broad Street liquor store that cashed checks as a favor to customers. In those days, he had no state license and was charging 50 or 60 cents for the service.

"You know, we never knew it was illegal to cash checks," said Palozzi, a 64-year-old Rochester native who has had other scrapes with the law.

Now with three licensed locations, Chester's processes about 545 checks a day — a value of \$37 million annually, state records show. Given that volume of business, Palozzi plans to open a fourth store, possibly near East High School, where he can expand his customer base to nearby suburbs.

City officials say they are concerned about the sprawling growth of check-cashing businesses, but admit there is nothing they can do about it.

"I just think it's another unfortunate kind of phenomenon that hits poor people," said Jeffrey Carlson, Rochester's deputy mayor.

"On the face value, they're providing a service nobody is bending your arm to use," he said. "But it's a sign of the erosion of the quality of life in the city."

While check cashers do provide a service, they don't help people who rely on them to save money for what are viewed as essentials in life: mortgages, car loans or other investments, experts say.

"They do not provide banking services and they do not provide the

Throughout the country, banks have been abandoning urban communities and the myriad of problems that accompany them.

kinds of services that people need in order to make some progress in their lives," said Reeb, the economist who conducted a study of New York City's check cashing industry.

Looking for answers

Although two more city branches will shut their doors in the next two months, there are signs that the trend may be reversing.

City officials have been approached by a local bank that wants to open four branches in Rochester, Carlson said. The city is working with the bank to select the sites.

"I think they're going aggressively after the market," Carlson said of the bank, which he would not name.

Another alternative is the proposed Progressive Neighborhood Federal Credit Union that will serve residents in northeast and southwest Rochester. Organizers hope to get federal approval to launch the credit union this fall.

"It's filling a gap, but it's the people's institution. That's the critical thing," said Sister Beth LeValley, a community activist who spearheaded the drive to start the credit union.

Though the credit union is expected to serve about 250 members, others believe a broader strategy is needed to restore financial stability to Rochester's troubled neighborhoods.

"I think we're really dying as a city in a metropolitan community," said Ruhi Maker, co-chairwoman of the Greater Rochester Community Reinvestment Coalition, a group that has been investigating local banking practices.

"The people in the suburbs think the city means 'them,' but that's not the case," she said. "It's a two-way street. I think the suburbs need to help the city get itself back together. The city can't do it by itself." □