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Newark hopeful BofA will be as neighborly as MBNA

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For hundreds of inner-city boys who attended St. Benedict's Preparatory School in Newark during the past dozen years, credit-card giant MBNA has been nothing less than a surrogate parent.

Scholarships from MBNA -- which has contributed about \$27 million to the school -- "have made it possible for many of these kids to come here. The bank has affected hundreds of lives," Rev. Edwin Leahy, headmaster, said yesterday. The donations also paid for a substantial renovation of the school's brick building on Martin Luther King Boulevard.

MBNA founder and former Chief Executive Charles Cawley is a St. Benedict's alumnus, and "a friend of mine and of the students," Leahy said. "He is always here, and he contributes in many ways, with his time as well as his money."

Contributions from alumni and from other big Newark corporations, including Prudential Financial, Verizon and Public Service Enterprise Group, lower annual tuition to the \$7,000 the school actually charges from the \$14,000 per student cost. In addition, about 70 percent of the 560 students receive financial aid based on need, Leahy said.

Following yesterday's announcement that Bank of America will acquire MBNA, Leahy was optimistic that support would continue.

"I'm sure Bank of America will be a good citizen. I'm expecting the kids to get the kind of help they deserve, and I don't have any reason to believe they won't," Leahy said.

MBNA was born in 1982 and has been on a growth spurt ever since, fueled by a special genius for finding multiple ways to do just one thing, and one thing only: getting more and more credit cards into more and more wallets.

The company Web site takes credit for a number of firsts in the credit-card industry: Last year, MBNA became the first bank to issue American Express-branded credit cards, and in 1997, it was the first U.S. company to issue credit cards in Ireland.

The Web site doesn't mention the impact MBNA has had in New Jersey's largest city.

Historically, the company chose office locations in suburbia. But the leadership of Cawley, who reminisced about glory days at St. Benedict's Prep, brought MBNA to Newark.

The company came to the city in 2001, among the first businesses to build offices downtown since the 1967 riots. Its Newark offices and call centers employ more than 1,000 people and are a hub for the company's Spanish-language customer service.

Based largely on its donations to St. Benedict's, the company quickly gained a reputation as a good neighbor.

"Their outreach in the city has been more than commensurate with the size of their operations here," Chip Hallock, president of the Regional Business Partnership, said.

From churches to nonprofits, many organizations in the city have benefited from the company's presence.

"Without question, they've been very receptive to my approaching them," said Celia King, executive director of Leadership Newark, a leadership development program for professional adults.

"I was certainly surprised to see the merger," King said. "The first thing I said was, 'I hope this doesn't change how they've related to the organizations and nonprofits in the community.'"

Volunteer efforts haven't gone unnoticed, such as the hand-decorated Thanksgiving food baskets and the hundreds of employee-donated holiday gifts received by La Casa de Don Pedro.

"I do get such a strong sense from MBNA that they are so genuinely invested in being here in Newark for the right reasons," Alle Ries, director of program and fund development at La Casa, said.

While the combination means there are fewer places for Newark nonprofits to turn for funding, Ries isn't concerned about declining philanthropy. Bank of America donates financially to the organization, and volunteers were at the center just yesterday, scraping and painting away.

"It looks so far like it will be a very nice marriage," Ries said. "We've had very good volunteer interest with both companies. They seem to have similar philosophies."

MBNA grew by exploiting a niche -- the marketing of hundreds of affinity credit cards to college alumni and association members, said Linda Eagle, president of the Edcomm Group, an education and communications firm in Fort Washington, Pa., specializing in the banking industry.

"MBNA didn't try to charge the lowest rates, but they offered a high level of service, and customers were willing to pay more for that service," Eagle said.

But unlike a bank -- which might be able to get two cards in a customer's wallet, both a debit and a credit card -- MBNA found itself limited to selling one credit card per customer.

"Their niche is no longer so valuable, because first of all, consumers are getting cleverer and are aware of all the different options available, and banks are also offering affinity cards," Eagle said.

Howard Tuckman, dean of the Rutgers Business School, said banks such as MBNA and Capital One dominated the credit-card business by learning to predict which customers were likely to default and, thus, manage the risk.

"But the nature of the market is changing and the free-standing credit card is not as valuable as it was in the past," Tuckman said. "This is pretty consistent with the trends in banking today; banks are once again providing every conceivable service."

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