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Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219

Robert E. Feldman, Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20051
By e-mail: jjohnson@frb.gov

Regulation Comments
Chief Counsel's Office
Attention: OTS-2010-0019
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
By Federal eRulemaking Portal:

Re: Proposed Rulemaking Regarding the Community Reinvestment Act
Regulation

OCC: Docket No. ID OCC-2010-0011
FRB: Docket No. R-1386
FDIC: RIN 3064-AD60
OTS: ID-OTS-2010-0019

Dear Sir or Madam:

JPMorgan Chase Bank, N.A. and its bank affiliates (collectively, "JPMorgan Chase") appreciate the opportunity to comment on the above-named Agencies' (the "Agencies") regulations governing procedures for assessing a financial institution's

performance under the Community Reinvestment Act (“CRA”). JPMorgan Chase supports the Agencies’ effort to update the CRA and appreciates the opportunity to offer ideas on how the regulations could be revised to better serve the goals of the CRA.

JPMorgan Chase has a strong commitment to the communities in which it does business and brings a wealth of experience to helping meet the credit needs of low- and moderate-income (LMI) borrowers and neighborhoods in its local communities by providing loans, investments and community development services across its banking markets. This commitment is reflected in the “Outstanding” CRA rating of each of JPMorgan Chase’s subsidiary banks.

JPMorgan Chase believes that the CRA has worked well overall but that opportunities exist to make some changes to the regulations, and to the examination process, to assure that the spirit and intent of the statute continues to be met in an environment which has changed greatly since the Act was promulgated in 1977 and since the regulations were last revised. There is also a need to make the regulations more reflective of a broader range of activities that contribute to healthy, sustainable communities and that are responsive to the evolving needs of local communities.

As requested in the notice of Proposed Rulemaking Regarding the Community Reinvestment Act Regulation, JPMorgan Chase is providing its suggestions on the following specific topics and questions:

Agencies' Question:

1. Geographic coverage. What are the best approaches to evaluating the geographic scope of depository institution lending, investment and/or deposit-taking activities under CRA? Should geographic scope differ for institutions that are traditional branch-based retail institutions compared to institutions with limited or no physical deposit-taking facilities? Should it differ for small local institutions compared to institutions with a nationwide customer base? If so, how? As the financial services industry continues to evolve and use new technologies to serve customers, how should the agencies adapt their CRA evaluations of urban and rural communities?

JPMorgan Chase Comment:

Assessment Areas Should Be Based on a Bank's Local Communities

The stated intent of Congress in establishing the CRA was:

- to ensure that insured depository institutions' facilities serve the convenience and needs of the communities in which they are chartered to do business,
- to articulate that those institutions have a continuing and affirmative obligation to help meet the credit and deposit needs of the local communities in which they are chartered, and
- to encourage insured depository institutions to help meet the credit needs of the local communities in which they are chartered, consistent with the safe and sound operation of such institution.

By definition, the concept of "local" implies those communities surrounding a retail banking institution's branch offices. This definition also implies that the institution, therefore, has resources in those communities – resources which enable it to:

- engage in outreach to help it ascertain the needs of its communities,
- develop partnerships with local organizations to help it better meet the needs of its communities, and
- deliver products and services through its locally based infrastructure.

The CRA regulations currently require an institution to delineate its CRA assessment areas, and those assessment areas are generally based on where an institution has its deposit-taking locations. JPMorgan Chase strongly believes that the current approach for defining assessment areas remains sound, and provides sufficient flexibility to allow for the unique characteristics of financial institutions that do not serve customers through a network of deposit taking offices, such as in the case of limited purpose or wholesale institutions.

Assessment Areas Should Not Be Expanded to Include All Geographies in Which an Institution Lends

The expansion of CRA assessment areas to geographies outside of a bank's local markets may have the unintended consequence of discouraging responsible lenders from making credit available outside of its local markets, given the limitations on a bank's

ability to meet CRA performance expectations across broader geographies. This outcome would not be a positive one for communities across the country. For example, JPMorgan Chase Bank has over 5000 branches located in 23 states comprised of 263 CRA assessment areas. It also has some level of lending in all 50 states in the nation and in the overwhelming majority of the 953 Metropolitan and Micropolitan Statistical Areas in the nation. To expand the bank's CRA assessment areas to all 953 Metropolitan and Micropolitan Statistical Areas – an increase of almost 700 geographies, or 262% - would stretch resources, as the bank would need to have a local presence and staff on the ground, and risk diluting some of the most positive impacts of the CRA on JPMorgan Chase's existing local markets. Such an expansion of assessment areas would increase the direct and indirect cost of providing credit in markets outside of the bank's local markets and could diminish the bank's appetite for providing much needed credit to those areas of the country that are located outside of the bank's local markets.

Including lending outside of a bank's local markets in its CRA exams may have the effect of heightening the competition for credit worthy and near credit worthy borrowers. This would be akin to the circumstances giving rise to the recent economic crisis which not only impacted the banks in term of loss, but also borrowers, across all income levels, who should not have been given loans that were, at the end of the day, not affordable.

Expanding the geographic coverage to include in the CRA assessment areas any geography in which JPMorgan Chase lends would also have the effect of eliminating the in/out analysis in the CRA test. Under §.22(b)(2)(i) the OCC evaluates a bank's lending performance by, among other things, measuring the proportion of the bank's lending in the bank's assessment area(s). If every place that JPMorgan Chase lends is within the bank's assessment areas(s), the proportion of loans within the assessment areas will be 100%, rendering the in/out analysis meaningless. The analysis is important from the perspective of the original intent of the CRA, *i.e.* making sure that a bank does not take deposits from one community just to make loans to other communities.

The CRA Performance Categories for Which an Institution Is Examined Should Be Consistently Defined Across All of Its Assessment Areas

During the recent CRA hearings that were held by the Agencies, a suggestion was made by some community advocates that a bank should undergo CRA examinations under the lending performance category, for any geographies in which it has lending activity, and that it would not be necessary to perform examinations for the other CRA performance categories if the bank did not engage in those activities in a particular market. In an effort to maintain the usefulness and integrity of the CRA as a vehicle for determining the adequacy of a bank's total efforts to meet the convenience and needs of its local communities, the CRA performance categories for which an institution is examined should be consistently applied across all of its assessment areas. As has historically been the case, the totality of a bank's lending, investing, and service activity should be considered in order to obtain a complete and accurate assessment of its efforts to meet the convenience and needs of a community, and individual geographies should not be subject to review for only one type of CRA-eligible activity.

Assessment Areas Should Not Be Defined at the County or Neighborhood Level

By the same token, to evaluate an institution's CRA activity on a geographic basis that is smaller than a Metropolitan and Micropolitan Statistical Area – such as at the neighborhood or county level – would also contribute to an overly burdensome process which is not consistent with the management of large-scale business enterprises. It is important to remember that CRA examiners have the discretion to look at a bank's performance across a smaller geography when they believe such a review is warranted. We believe the examiners should retain this discretion to be utilized in unusual situations where the examiners deem it appropriate but across the board management and examination of an institution's CRA activity at such a micro level would not result in a sufficient benefit to the community to warrant the additional cost and should not become the standard for CRA examinations.

The Definition of Assessment Area Should Exclude Limited-Access Deposit-Taking ATMs

We believe that the CRA should eliminate the requirement that limited-access deposit-taking ATMs trigger a CRA responsibility. Today, banks may have processing and servicing centers all over the country, in areas far removed from where their headquarters and branches are located and hence, far from where they have the ability to undertake CRA initiatives. As one example, the requirement that deposit-taking ATMs trigger CRA could impact a bank's decision regarding offering such ATM services to their own employees located in operations centers. JPMorgan Chase Bank, for example, has three deposit-taking ATMs located at operations centers in the states of Missouri and South Carolina, states where the bank does not have a branch presence and where the bank does not have the local infrastructure to implement a CRA program. Accordingly, JPMorgan Chase believes that the deposit-taking ATM CRA trigger should not apply to ATMs that are not generally available to the public and recommends that this requirement be removed from the CRA.

The Evaluation of Rural Areas Should Not Be Subject to Unique Criteria

JPMorgan Chase believes that the current criteria for assessing an institution's CRA performance works equally well for both urban and rural areas and that the evaluation of CRA performance in rural areas should not be subject to unique criteria. The CRA examination process provides for the consideration of the local performance context within which to evaluate the bank's performance, including but not limited to demographic data, market opportunities, the bank's business strategy, local community needs, and any other information deemed relevant by the examiner.

Agencies' Question:

2. CRA performance tests, asset thresholds and designations. Should the agencies revise the criteria used to assess performance under the current CRA tests: small institution; intermediate small institution; large institution; "wholesale and limited

purpose” institution or strategic plan? Are the current asset thresholds that apply to institutions and tests appropriate?

JPMorgan Chase Comment

The CRA Performance Tests Should Be Restructured to Give Greater Consideration for Community Development Activities and to Lessen the Emphasis on Mortgage Lending

With respect to large retail institutions, JPMorgan Chase believes that opportunities exist to make some changes to the CRA regulations to make them more effective in assessing performance, including:

- encouraging changes which would give greater CRA credit to community development lending and community development services,
- evaluating all community development activities – lending, investing, and services – in tandem as a part of a new community development performance category within CRA examinations, and
- lessening the heavy focus on mortgage lending.

Currently, the CRA exams for large retail banks consist of a three-part test which consists of:

- a lending test which includes mortgage, small business, and community development lending and accounts for 50% of the total score,
- an investment test which includes CRA-eligible tax credits, equity investments, grants, and in-kind contributions and accounts for 25% of the total score, and
- a service test which includes retail branch distribution among census tracts of different income categories, branch openings and closings within census tracts of different income categories, and the availability of retail banking products and services as well as community development services, and accounts for 25% of the total score.

Within the lending test, mortgage and small business lending drive the rating and given that the weighting of this “core” lending is based on unit volume, it has been JPMorgan Chase’s experience that the preponderance of the “core” lending score can derive from mortgages. There are those who have argued that the over-emphasis on

mortgage lending within CRA contributed to industry-wide underwriting criteria which were too flexible, products which were too exotic, marketing which was too aggressive and subsidies which were simply irrational. We suggest that CRA exams lessen the focus on mortgage lending.

We also encourage changes which would give greater CRA credit to community development lending, given its significant and positive impact in helping to stimulate affordable housing, job creation and retention, as well as provide needed financing for other community needs such as affordable health care, child care, and education. The financing of rental housing, especially in the current economy, is also an important element of meeting the needs of communities, where some residents may not be realistic mortgage candidates and yet the regulation focuses much more strongly on homeownership. Community development lending also plays a vital role in the revitalization or stabilization of LMI communities. Yet, community development lending is treated as somewhat of an enhancement to “core” lending performance, with a neutral or positive effect on the overall lending score, leading to the under-valuation of community development lending within the current exam structure.

In addition, the service test is driven by retail branch distribution, which is generally assumed to count for approximately 80% of the total services test score. The remainder of the service test score derives from a combination of branch openings and closings, alternate delivery of products to reach LMI families, and the provision of community development services such as financial education delivered to LMI persons, board service with nonprofit organizations, mortgage modifications for LMI homeowners, etc.

In recognition of the importance of community development activities, we believe that the structure of the performance categories within the regulatory examinations should be reorganized and that all community development activities – lending, investing, and services – should be evaluated in tandem as a part of a community development performance test within CRA examinations that would replace the investment test. We also propose that the importance of community development activities be reflected in the proportion of the total CRA score that is attributed to this part of the CRA exam.

To accomplish the recommended changes in the emphasis that CRA exams place on mortgage lending, community development activities, and services, JPMorgan Chase suggests that CRA exams for large retail banks be restructured into three tests comprised of:

- a lending test which includes lending for mortgage and small business,
- a community development test which includes community development lending; CRA-eligible tax credits, equity investments, grants, and in-kind contributions; and community development services, and
- a banking services test which includes retail branch distribution and branch openings and closings among census tracts of different income categories, as well as the availability of banking products and services for LMI consumers and for small businesses.

The Community Development Test Is Appropriate for Limited Purpose and Wholesale Banks

With respect to wholesale and limited purpose banks, JPMorgan Chase supports the current criteria used to assess performance, particularly in areas of limited opportunity and high competition. The criteria for both wholesale and limited purpose performance tests encourages an institution to support community development more broadly when opportunities arise, and allows a bank to receive full benefit for all CRA qualified lending activity outside of the scope of its assessment area, once the institution has otherwise adequately addressed the community development needs within its assessment area. This flexibility helps deliver community development resources to underserved areas that otherwise would not have sufficient access to community development financing. JPMorgan Chase, for the benefit of Chase USA, has provided debt and equity for affordable rental housing developments in many rural and other areas outside of the Wilmington, DE assessment area of Chase USA. As a specific example, JPMorgan Chase provided both debt financing and tax credit equity for the construction of a 132-unit affordable rental housing project in Kent County, DE, where affordable

housing is limited and the demand for low-income housing far exceeds the supply, and is an area adjoining the assessment area of Chase USA, which is a limited purpose bank.

In addition, JPMorgan Chase believes that the current asset thresholds that apply to small, intermediate, and large institutions are appropriate.

Agencies' Question:

3. Affiliate activities. Currently, the agencies consider affiliate activities only at the request of the related depository institution. Should the agencies revise the regulation and, instead, require that examiners routinely consider activities by affiliates? If so, what affiliates or activities should be reviewed? How should consideration of affiliates affect the geographic coverage of CRA assessments?

JPMorgan Chase Comment

The Inclusion of Affiliate Activities in CRA Exams Should Remain Optional

JPMorgan Chase believes that affiliate activities that are not branch based should continue to be considered in CRA exams only at the option of the depository institutions. The CRA is, by definition, local and it requires banks to meet local community credit needs. Nationwide lending such as auto and credit card loans are provided through multiple distribution channels, which may include but may not preponderantly be branches, and is only a partial reflection of how well a bank is serving the credit needs of its local communities.

For example, Chase USA, a non-depository affiliate of JPMorgan Chase, is the largest U.S. credit card issuer, with more than 89 million cards in circulation and \$149 billion in credit card outstandings nationwide. Most of these cards are sourced primarily through non-branch channels, and do not necessarily reflect local community credit needs. To include such lending in CRA exams could potentially result in more aggressive lending that may not be in the interest of the long-term financial health of consumers in an already highly mature marketplace as again, it may heighten the competition for both credit worthy and near credit worthy borrowers and lead to pressure

to lend to the marginally qualified. Inclusion of this activity would also distort CRA results given the very high volumes of consumer loans.

Including lending of all affiliates would become a burdensome “numbers game” that could potentially focus on large volumes of credit card or other lending and could detract from the important work that banks do to allow more complex types of credit to flow to underserved communities. This is a particular challenge for large national banks that have hundreds of assessment areas and offer a wide range of credit products.

Counting the lending activities of all affiliates could also raise the question of relative importance, and how the volume of one type of activity may influence the overall lending rating. The sheer volume of credit card lending provided by Chase USA, for example, and of other large card issuers, could diminish the relative values of local mortgage and small business lending in the overall lending test rating for its affiliate bank, which have a greater impact on community revitalization and stabilization.

Agencies' Question:

4. Small business and consumer lending evaluations and data. Should the agencies revise the evaluation of and/or data requirements for small business and small farm lending activities or for consumer lending activities, including activities or products designed to meet the needs of low- and moderate-income consumers? If so, what changes are needed?

JPMorgan Chase Comment

Create Consistent Data Requirements for Small Business Lending in the Context of a Dynamic Regulatory Environment

JPMorgan Chase believes that any changes to the current CRA Regulations as they relate to small business lending data collection and reporting should be consistent with, and a subset of, the data requirements included in the recently enacted Dodd-Frank Act, Subtitle G – Regulatory Improvements (sec. 1071, Small Business Data Collection).

The Dodd-Frank Act more than significantly increases the number of reportable data elements that are currently required under the CRA Disclosure small business reporting requirements, and we strongly recommend that any changes contemplated

under the CRA consider the data reporting requirements under Dodd-Frank. In addition, reporting institutions should be given sufficient time to revise forms, train staff, make the necessary system and programming changes, etc. that will be needed to comply with the new reporting requirements in Dodd-Frank before any potential changes for small business lending data are required under the CRA regulations.

Expand CRA Credit to All Small Business Lending Within a Bank's Assessment Area Regardless of the Income Classification of the Geography

In addition, JPMorgan Chase believes that small business lending under the CRA should be expanded to include lending to all small businesses within a bank's assessment areas, not just those located within LMI census tracts. The CRA statute states that CRA examinations should "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods". Small businesses drive economic development and employment both within and outside of LMI areas. Regardless of the income level of the geography, small businesses are a vital source of employment for both LMI and non-LMI people, provide services to benefit LMI and non-LMI people and communities, and generate revenues and taxes that help sustain and benefit the local economy and surrounding communities. If the CRA regulations were modified to include lending to all small businesses within a bank's CRA assessment area, regardless of the income level of the census tract in which the business is located, the efficacy of such lending could continue to be evaluated via the market share test as well as the geographic distribution test, as currently occurs in CRA examinations.

The Submission of Consumer Loan Data Should Remain Optional

JPMorgan Chase contends that consumer loans, defined by the CRA Regulations as motor vehicle loans, credit card loans, home equity loans, and other secured or other consumer loans that are not captured in existing categories, should continue to be considered optional for inclusion in CRA exams, as indicated in our response to question

#3. As such, if a bank elects to include consumer lending in its CRA exam, the bank will provide relevant consumer lending data to the CRA examiner as is currently required.

Agencies' Question:

5. Access to banking services. How should access to financial services be considered under CRA? What changes would encourage financial institutions to expand access to un-banked and under-banked consumers in a safe and sound manner and to promote affordable, safe transaction and savings accounts? Should the agencies revise CRA to include additional regulatory incentives to provide access to services for historically underserved and distressed areas?

JPMorgan Chase Comment

The Provision of Products and Services Designed to Enhance Banking Access Should Receive Greater Consideration in CRA Exams

JPMorgan Chase supports providing convenient access to banking services in its markets, consistent with the bank's business strategy as well as with safe and sound banking practices. The provision of products and services that are designed to enhance access is currently a component of the service test within CRA exams. The current service test places primary emphasis on full service branches across census tracts of different income levels, with such distribution accounting for an estimated 80% of the total service test score. The provision of alternative delivery systems such as ATMs, online banking, telephone banking, and workplace banking as well as offering specialized products and/or services like checking products designed for consumers with negative information in Chex systems or participating in initiatives designed to attract the unbanked such as Bank On, a growing national program to encourage the unbanked to open starter accounts, help to expand access to banking for consumers, including the unbanked. We also believe that greater credit should be given for savings programs which are also critical for building wealth in LMI communities.

Alternative delivery systems enable institutions to increase banking convenience and access in local communities providing opportunities to implement creative solutions for providing retail banking services in underbanked or distressed areas. JPMorgan

Chase suggests that even greater consideration should be given to banks for providing alternative delivery systems and specialized banking products or services in their markets.

Agencies' Question:

6. Community development. What are the opportunities to better encourage community development loans, investments and services to support projects that have a significant impact on a neighborhood? Should the agencies consider revisions to the Community Development Test or to the definition of community development? How could the rules most effectively balance support for community development organizations of different sizes, varying geographic scope, and in diverse rural and urban communities? How might they balance incentives for meeting local needs as well as the needs of very distressed areas or those with emergency conditions?

JPMorgan Chase Comment

Community Development Lending Should Be Moved to a New Community Development Test

We recommend that community development lending be moved into a new community development test for large retail banks which would be exactly the same as the current community development test for wholesale and limited purpose banks. A separate community development test would evaluate community development lending, community development investments and community development services. These three elements would be examined in concert and allow for a bank to balance its response to local community needs based on its capacity and expertise for meeting those needs. A restructured rule that includes a community development test would ensure more flexibility to balance qualitative and quantitative measures and will make CRA more sustainable for the benefit of both banks and LMI communities.

Community Development Activities Outside of a Bank's Assessment Area Should Receive Full CRA Consideration Provided that the Bank Is Adequately Meeting Community Credit Needs within Its Assessment Areas

All qualified community development lending, investing and services outside a bank's assessment area should be considered favorably, as long as the bank is adequately meeting the needs within its assessment areas. This concept aligns with the current test which allows a bank to receive favorable consideration for community development activities in a broader statewide or regional area as long as the bank is adequately serving its assessment area. However, there is a lack of clarity regarding how such activities are weighted in the exams.

Some banks have the experience, expertise and capacity to do community development lending and investing in rural areas, underserved markets and to national community development loan funds. These banks have developed strong working relationships with national Community Development Financial Institutions and other large-scale community builders that need capital in markets where there are no, or few, financial institutions. Opening up new markets and new opportunities could be beneficial to lenders, as well, since it would offer them more opportunities to create sustainable CRA programs that could take maximum advantage of their community development resources.

Additionally, we recommend that the CRA guidance be clarified regarding awarding CRA credit for multi-investor, multi-geography low-income housing tax credit (LIHTC) investment funds and community development credit facilities to insure that institutions receive full CRA credit and full weight for all such transactions, regardless of the geography that the dollars impact since the treatment of such transactions remains inconsistent in exams.

There Should be Increased Clarity and Consistency in the Treatment of Community Development Activities within CRA Exams

While it is generally recognized that there are a variety of community development activities that meet the definition of community development as specified in the regulation, it is not clear that similar types of activity are consistently valued, awarded

credit, or considered for CRA credit, both within and across the Agencies. Currently, the regulation is not clear as to how much weight is given to similar types of activity, including, for example, letters of credit, or term extensions on existing credit facilities for construction financing. JPMorgan Chase suggests that a bank's community development performance would be further enhanced with increased clarity and consistency on how the various community development activities are treated by the regulatory agencies under the CRA.

The Community Development Definition Should Not Encompass the Full Range of Community Development Activity that Benefits Rural Areas

JPMorgan Chase does not believe that the definition of community development should be expanded to include non-LMI rural communities. JPMorgan Chase believes that the Agencies should continue to use the regulatory guidance and the performance context when determining whether or not activities in rural communities, which are not LMI communities, should receive consideration in CRA examinations. The CRA Questions and Answers and the performance context provide examiners with a considerable amount of latitude to give CRA credit for community development activities. For example, this latitude allows for CRA credit (i) for projects in the broader geographical area outside of the bank's immediate CRA assessment area; (ii) for projects that are outside an LMI community but that have an impact on nearby LMI geographies; and (iii) for projects where the local municipality has an established redevelopment plan regardless of whether the market is LMI.

Counting all rural activities as eligible for CRA eligibility is too expansive and could result in counting the development of properties such as affluent golf and skiing communities as CRA-eligible. This was clearly not the intent of Congress when it passed the CRA. At the same time, it is reasonable that the Agencies pay attention to and evaluate the performance of banks in their rural markets as well as in their large urban markets.

The Only Equitable Method of Distributing CRA Credit for Multi-Investor Fund Investments is to Use the Location of a Fund's Projects, but Only if the Institution Can Receive Full CRA Credit and Full Weight for the Entire Amount of its Investment

JPMorgan Chase believes that the only appropriate method of allocating CRA credit for national and regional fund investments, which is fair to all investors, is to assign pro-rata credit for each project in which the fund invests based on the pro-rata share of the institution's investment in the fund. This recommendation, however, is conditioned upon the ability of the investor to receive full CRA credit and full weight for all its investments in the fund, regardless of the location of the fund's projects.

The pro-rata share method makes sense for the several reasons. First, legally, investors own a pro-rata share of each investment the fund makes in a project, so the allocation of CRA credit in the proposed manner aligns with the legal ownership of the investor (unlike side letters, which have no legal relationship to the investor's interest). Second, it prevents one institution from "claiming" CRA credit for a particular project or area, to the exclusion of other investors who may also want, and legally and financially deserve, credit for that project or area. Third, it eliminates any possible "double-counting" of investments for the same project by different institutions.

JPMorgan Chase has two alternative suggestions for addressing how investments in national and regional funds should be counted, both using the pro-rata share approach. Underscoring each suggestion is the public policy mandate that the Agencies must find a way to count investments in fund projects located outside an institution's assessment area or broader statewide or regional area that includes its assessment area. The first suggestion provides that, as long as the fund has at least one project in the institution's assessment area, the institution receives full CRA credit and full weight for those projects outside the bank's assessment area. The alternative suggestion is that if an institution has adequately addressed the community development needs of its assessment area, it receives CRA full credit and full weight for those projects outside the bank's assessment area.

With either suggestion, it is imperative that the regulations allow for the transparent reflection of how a bank's investments in multi-investor or multi-geography funds are allocated to the bank's rating areas so as to confirm that full weight and full

credit was received for these investments and to make apparent the impact that these investments have on the bank's rating.

Letters of Credit Should Receive the Same Treatment as Loans under the Lending Test

Letters of credit have become an increasingly important part of community development financing since the use of bond financing automatically allows the use of 4% LIHTCs. Letters of credit, however, currently are not included in the lending tables at the end of performance evaluations but are mentioned only in the text of the lending performance discussion thus, we believe, receiving lesser 'weight' than a loan.

Yet, the credit risk of a letter of credit is identical to a conventional loan. Letters of credit are legally binding commitments to lend and the bank is required to set up reserves to cover them. When the proceeds of a bond issue enhanced by the institution's letter of credit are used for the construction of real estate improvements, standard construction loan procedures govern the disbursement of the bond funds. The bond trustee may only disburse bond proceeds upon written authorization from the letter of credit provider. As with a loan, such authorization is normally preceded by satisfaction of construction loan draw procedures and documentation. In the event of a default and subsequent drawing on the letter of credit, the institution assumes ownership of the mortgage-secured bonds in order to preserve and protect its collateral position.

Moreover, the institution's assumption of the bondholder's risk of loss produces a net positive impact on the cost of funds for project development, even after factoring in letter of credit fees paid to the institution. The interest rate discount available via issuance of tax-exempt bonds is a cost efficient means to finance the creation and sustainability of affordable housing. Bonds that are enhanced with a letter of credit issued by a rated institution bear an interest rate reflective of the credit of the institution rather than the real estate.

In addition to the interest rate advantage, the use of tax-exempt bonds enables utilization of the "as of right" 4% LIHTC. Equity generated from the sale of tax credits does not require a cash return from the real estate. The combination of low interest rates and return-free equity creates affordable rental rates, even in an environment of

escalating housing costs. Letters of credit are a critical component of this financing structure.

Thus, letters of credit should be given full consideration with respect to the evaluation of community development lending under the CRA lending test. This alternative financing option should be given consideration equal to other types of community development loans and included in the performance evaluation lending tables. These types of transactions truly embody an institution's use of its full resources to address the needs of its local communities. JPMorgan Chase suggests that a separate table be created for letters of credit and that examiners receive guidance that CRA-eligible letters of credit are to receive the same CRA credit as other types of CRA-eligible loans, provided that a clear community development benefit is shown. Examples include, but are not limited to:

- letters of credit that enhance tax-exempt bonds issued for the construction of affordable housing,
- letters of credit in favor of municipalities to guarantee payment and completion of project site work, utility connections, and other project-related requirements, and
- letters of credit used to purchase forward fixed interest rate locks for permanent financing on affordable housing projects.

The Definition of Community Development Should Be Expanded to Include Activities that Respond to Local, Regional or National Crises that Have a Negative Effect on Individuals and Communities

JPMorgan Chase suggests that the definition of community development be expanded to add new language that recognizes efforts by financial institutions to assist all of their communities in times of extraordinary economic need. Currently, examiners will give credit only to those efforts that primarily target LMI individuals or census tracts with a significant burden of proof placed upon the institution. However, the CRA states that banks have "a continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered". Because many types of relief that banks provide help anyone, regardless of income or LMI location, banks may not receive CRA credit for initiatives that truly help their communities to rebuild or stabilize.

JPMorgan Chase suggests that the definition of community development be expanded to include activities that provide relief to geographies, businesses or individuals in response to widely recognized issues that are negatively impacting local communities and that are needed activities for the revitalization and stabilization of communities, regardless of income. Specifically, JPMorgan Chase suggests that the definition of community development in Section 12(g) of the Regulation be expanded to include language that allows geographies of any income level designated by the Agencies as “distressed” based on economic factors such as poverty, unemployment, or foreclosure rates of specified levels. Activities that revitalize or stabilize those communities defined as distressed should receive CRA credit.

For example, efforts to modify mortgages in response to a foreclosure crisis, restructure debt for small businesses during a recession, or place vacant property back into productive use in geographies that have been designated as distressed should receive positive consideration in CRA exams, regardless of the income classification of either the customer or the geography. Similarly, efforts to provide support to tenants of any income who have been affected by foreclosure, or to support programs to address hunger, regardless of whether the service is directly related to the provision of financial services, should be included in the definition of community development. We also believe that such efforts would receive more appropriate consideration as a component of a community development test than what is currently the case, particularly in evaluating community development services where branch distribution receives the greatest amount of focus as part of the service test.

The Definition of Community Development Service Is Too Restrictive in Limiting Eligible Services to Financial Services

Section 12(i) of the Regulation defines community development service as a service that (1) has as its primary purpose community development; (2) is related to the provision of financial services; and (3) has not been considered in the bank's retail banking services portion of the evaluation. JPMorgan Chase believes that, by limiting eligibility of community development services to those that are financial in nature, the definition excludes banks from receiving CRA credit for valuable community

development services provided by the bank and its employees, including services that align with the employee's professional expertise. For example, coaching impoverished clients of a transitional housing facility for homeless families in their interviewing skills that is part of a work readiness program would not be considered a community development service under the Regulation as it is not financial in nature, although clearly, this activity provides services to LMI people which is one of the criteria for meeting the definition of community development.

To remedy this problem, we suggest deleting "is related to the provision of financial services" in Section 228.12(i)(2) and adding the financial services component to the definition of community development. Section 228.12(g)(2) would then read: "Community development means--(2) community *or financial* services targeted to low-or-moderate-income individuals."

All Grants to Arts and Culture Organizations Benefiting LMI Individuals or Communities Should Receive CRA Credit

It has been the experience of JPMorgan Chase that grants to arts and culture organizations are considered CRA qualified investments when they are made specifically to support "traditional" educational programming for LMI children when it is related to traditional academic subjects. Arts and culture organizations serve as an essential, yet sometimes non-traditional, educational resource to the local communities inspiring children and youth to serve as agents of change while simultaneously cultivating their leadership skills and fostering a commitment to community service. Through their involvement with these organizations, children can learn a wide variety of skills, as well as enhance their critical and analytical abilities. It should also be recognized that many arts and culture organizations are located in LMI communities and their presence is critical to the development and strength of communities as they serve to revitalize and stabilize the communities where they are located. As such, we believe all grants to arts and culture organizations located in LMI communities or primarily benefiting LMI individuals should be considered CRA qualified investments.

Agencies' Question:

7. Ratings and incentives. Is there an opportunity to improve the rules governing CRA ratings to differentiate strong, mediocre, and inadequate CRA performance more consistently and effectively? Are there more effective measures to assess the qualitative elements of an institution's performance? Are there regulatory incentives that could be considered to encourage and recognize those institutions with superior CRA performance?

JPMorgan Chase Comment

CRA Ratings Demonstrate Clear, Consistent Performance Measures

JPMorgan Chase believes the composite CRA ratings of “Outstanding”, “Satisfactory”, “Needs Improvement”, and “Substantial Noncompliance” clearly articulate a bank's overall composite performance. We feel the current ratings system is sufficient, especially given that within each of the three existing performance tests more insight is provided with the individual performance category rating of “Satisfactory” replaced with the more detailed categories of “High Satisfactory”, “Satisfactory”, and “Low Satisfactory”.

CRA Performance Evaluations Provide a Balance between the Quantitative and Qualitative Measures

Qualitative attributes of community development transactions, specifically product innovation, complexity, flexibility, and responsiveness are considered by examiners to enhance an institution's community development performance, but generally do not carry as much weight as the quantitative measures.

It is understandable that examiners give less weight to things that are not easily measurable in an attempt to allow for more consistency across all CRA exams. However, the qualitative aspects of some community development initiatives, which may not result in large dollar volume transactions, are critical for the long-term sustainability of LMI communities. For example, financial education provided to LMI students and mortgage counseling provided to first-time homebuyers are two initiatives provided by banks that

do not have a dollar measure, but where the qualitative aspects are critical to the sustainability and growth of LMI communities. Many banks provide innovative, responsive, flexible and complex community development activities that have a positive impact on communities, and it is important that CRA performance evaluations continue to provide specific examples of the qualitative elements of an institution's performance. Providing this insight assists the public in differentiating among banks' performance based on their impact on communities, and recognizes the efforts of banks to engage in community initiatives that may be small in dollar amount but that make a meaningful impact on communities.

CRA Ratings Have Garnered Great Significance, Providing Many Incentives for Banks to Achieve Outstanding CRA Ratings

Clearly, there is an incentive for banks to receive the highest possible rating. An "Outstanding" rating is valued by a significant portion of a bank's many stakeholders. The CRA rating serves as the only standard, and public, performance measure to evaluate a bank's community involvement and makes a positive contribution to a bank's reputation. JPMorgan Chase continually strives to perform to the highest standard across all communities within the limits of safety and soundness and consistent with the bank's business strategies.

Banks that have received Outstanding CRA ratings should be provided a safe harbor from CRA protests during mergers or acquisitions. By doing this, the Agencies would be standing behind their own extensive examinations and ratings. During a merger or acquisition, banks with Outstanding ratings should also be provided the opportunity to complete a streamlined application, influenced significantly by the "Outstanding" rating.

Agencies' Question:

8. Effect of evidence of discriminatory or other illegal credit practices on CRA Performance Evaluations. Currently, the agencies' evaluations of CRA performance are adversely affected by evidence of lending discrimination or other illegal credit practices as outlined in the CRA rules. Are the existing standards adequate? Should the regulations require the agencies to consider violations of additional consumer laws, such as the Truth

in Savings Act, the Electronic Fund Transfer Act, and the Fair Credit Reporting Act? Should the regulations be revised to more specifically address how evidence of unsafe and unsound lending practices adversely affects CRA ratings?

JPMorgan Chase Comment

JPMorgan Chase Believes that the Current Provisions within the CRA Sufficiently Allow for Any Discriminatory or Other Illegal Practices that Are Specified in 12 C.F.R. §__.28(i)(A)-(E) and Therefore New Additions Are Unnecessary

JPMorgan Chase believes that the CRA should not be used as a vehicle for evaluating all of the concerns that may exist relative to the impact of financial products and services on consumers. The existing CRA regulations already allow for a bank's CRA performance to be adversely affected by evidence of discriminatory or other illegal credit practices including, but not limited to, violations under ECOA, the Fair Housing Act, HOEPA, RESPA, TILA, and the FTC Privacy Act. The existing provision that mandates examiners to consider compliance with those consumer regulations when determining a bank's CRA rating provides latitude for examiners to take into consideration other compliance factors when determining a bank's CRA rating. In addition, the creation of the Consumer Financial Protection Bureau (CFPB) in the Dodd-Frank Act provides ample authority for the CFPB to address any perceived concerns related to other aspects of a bank's consumer products and services, providing further support to the position that CRA should not be utilized as a panacea for an extremely broad array of retail banking compliance issues that are addressed by way of other means.

The overriding purpose of the CRA is to ensure that banks help meet the credit needs of the local communities they serve, including LMI communities. The current CRA regulations were drafted to evaluate how well banks are meeting these needs. However well-intentioned, it is inappropriate to overlay the structure of consumer compliance on CRA. These are two distinctly different spheres and should be treated as such. We do not believe that it was the intent of Congress to have the Agencies incorporate the consumer compliance examination process into CRA.

JPMorgan Chase supports the complete enforcement of compliance regulations for such activities outside of the CRA and does not believe that it is necessary for compliance with those regulations to be a component of CRA ratings.

Agencies' Question:

9. CRA disclosures and Performance Evaluations. Should the agencies consider changes to data collection, reporting, and disclosure requirements, for example, on community development loans and investments? What changes to public Performance Evaluations would streamline the reports, simplify compliance, improve consistency and enhance clarity? Should the agencies consider changes to how Performance Evaluations incorporate information from community contacts or public comments?

JPMorgan Chase Comment

Public Reporting of Community Development Lending and Investment Data Would Provide Meaningful Insight into the Market Opportunities for Community Development Financing

Currently, community development lending data is reported as part of the annual CRA data submission but, unlike the regulatory reporting for mortgage and small business lending, community development lending data is reported as simply one number, in aggregate, for the legal entity. In addition, community development investment data is not a part of annual regulatory reporting at all. The detailed data pertaining to the amount, location, and purpose of community development lending and investing is currently provided to examiners but is not aggregated for the industry at the assessment area level which would provide meaningful insight into market opportunity. As an indicator of market opportunity or need, JPMorgan Chase recommends the collecting and reporting of community development lending and investment data at the assessment area level.

Including community development lending and investing data as a part of the annual CRA regulatory submission would add much needed transparency and context for evaluating performance for each assessment area.

The Usefulness of Performance Evaluations Could Be Enhanced Through the Reorganization of the Information Pertaining to Individual Assessment Areas

JPMorgan Chase believes that the market profiles contained within CRA performance evaluations contain a good level of information related to the demographics, competition, economy, and other characteristics of individual CRA assessment areas as well as informative summaries of the feedback obtained from local contacts pertaining to the community development needs of the geography. However, in the case of large retail banks, the organization of the public evaluation often results in the placement of the performance summary for an assessment area several hundred pages before the information related to the profile and needs of an assessment area. We would recommend a reorganization of the performance evaluation to locate consecutively all narrative information pertaining to the profile, needs, and performance within an assessment area and believe that such reorganization would enhance the ease of use of the CRA evaluations. This would help to make the evaluation reports more clear, especially for large retail banks, whose performance evaluations are quite lengthy primarily as a result of their having, perhaps, hundreds of assessment areas.

JPMorgan Chase recognizes the value of CRA and the critical role it plays in helping to strengthen and revitalize local communities. We are pleased to have had the opportunity to submit these comments and would be happy to discuss them further with you.

Sincerely,

A handwritten signature in cursive script that reads "Leta Wingard Hughes".