

## FEDERAL RESERVE SYSTEM

JPMorgan Chase Bank  
New York, New York

## Order Approving Establishment of a Branch

JPMorgan Chase Bank, New York, New York (“Bank”), a state member bank, has given notice under section 9 of the Federal Reserve Act (“Act”) (12 U.S.C. § 321 *et seq.*) of its intention to establish a branch at the Newport Center, 575 Washington Boulevard, Jersey City, New Jersey.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board’s Rules of Procedure (12 C.F.R. 262.3(b)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors specified in the Act.

Bank is the 13th largest banking organization in New Jersey, controlling deposits of approximately \$2.6 billion, representing approximately 1.5 percent of commercial banking deposits in the state.<sup>1</sup> Bank is a wholly owned subsidiary of J.P. Morgan Chase & Co., New York, New York.

Considerations Under the Federal Reserve Act

Section 9(4) of the Act (12 U.S.C. § 322) requires that when acting on a branch application, the Board consider the financial condition of the applying bank, the general character of its management, and whether its corporate powers are consistent with the purposes of Act.

The Board has carefully reviewed the factors it is required to consider for the establishment of a branch under section 9 of the Act in light of all facts of record. As part of its consideration, the Board has reviewed reports of examination and other supervisory information. Based on all the facts of record,

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<sup>1</sup> Deposit and state ranking data are as of June 30, 2001.

the Board has concluded that these statutory factors are consistent with approval of the notice.

### Community Reinvestment Act Considerations

In acting on an application to establish a branch, the Board is required to take into account a bank's record under the Community Reinvestment Act ("CRA").<sup>2</sup> The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal supervisory authority to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating branch applications.

#### A. CRA Performance Examination

As provided in the CRA, the Board evaluates the performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance record of the institution. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.<sup>3</sup> Bank received an overall "outstanding" rating at its most recent CRA examination by the Federal Reserve Bank of New York, as of July 9, 2001.

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<sup>2</sup> 12 U.S.C. § 2901 et seq.

<sup>3</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

## B. CRA Performance Record

According to its most recent CRA examination, Bank's lending activity in the New York Metropolitan Area<sup>4</sup> showed excellent responsiveness to retail credit needs.<sup>5</sup> During the examination period, Bank and its affiliates were the leading lender in the New York Metropolitan Area in originated and purchased home purchase, refinance, and small business loans. According to examiners, the overall geographic distribution of Bank's retail loans reflected excellent loan penetration in LMI areas.

Bank's record of lending to businesses in the New York Metropolitan Area was excellent. Approximately 93 percent of small loans to businesses originated in the assessment area during the examination period were for amounts of \$100,000 or less. The average size of such loans was \$33,000, an amount that examiners concluded would meet the credit needs of smaller businesses. Examiners also rated Bank's community development lending performance in the New York Metropolitan Area as excellent.<sup>6</sup>

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<sup>4</sup> Examiners noted that performance in the New York Metropolitan Area had the greatest weight on Bank's overall CRA rating because of the high concentration of deposits, lending, and population in that assessment area. The New York Metropolitan Area includes southern New York, western Connecticut, and northeastern New Jersey. Jersey City is part of the New York Metropolitan Area.

<sup>5</sup> One commenter, a Jersey City community group, inquired about Bank's past and future involvement in the Jersey City community and the extent of Bank's involvement in addressing local credit needs. Bank responded that even before its current decision to establish a branch, it had provided support to organizations committed to increasing the quality of life in Jersey City, primarily in the areas of affordable housing, economic development, and the provision of social services. Since 1996, Bank has provided grants totaling more than \$500,000 to Jersey City organizations engaged in community development activities. Bank stated that it intends to continue to support community development activities in Jersey City in the future.

<sup>6</sup> During the examination period, community development loan commitments benefiting this assessment area totalled \$693 million.

Bank received an “outstanding” rating on the investment portion of its CRA examination in the New York Metropolitan Area. Examiners characterized Bank’s level of qualified community development investments and grants as exhibiting strong responsiveness to credit and community development needs through organizations involved in affordable housing, economic development, community services, and revitalization and stabilization activities.<sup>7</sup>

Examiners rated Bank’s performance in the New York Metropolitan Area under the service test as outstanding. Examiners based this rating on what they characterized as excellent delivery of retail services and Bank’s leadership role in providing community development services. Overall, examiners indicated that delivery systems were readily accessible to all portions of Bank’s assessment area, taking into consideration the percentage of the population residing in LMI areas. Examiners also characterized Bank as a leader in providing community development services.

### C. Conclusion on CRA Performance

The Board has considered carefully the entire record of Bank’s CRA performance, including Bank’s most recent CRA performance examination. Based on all the facts of record, the Board concludes that CRA considerations are consistent with approval of the proposal.

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<sup>7</sup> Bank’s level of community development investment in the assessment area totalled \$750 million, with \$433 million of additional unfunded investment commitments.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that this notice should be, and hereby is, approved. The Board's approval is specifically conditioned on Bank's compliance with all commitments made in connection with the proposal. The commitments and conditions relied on by the Board are deemed to be conditions imposed in writing in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

Approval of this notice is subject to the establishment of the proposed branch within one year of the date of this order, unless such period is extended by the Board or the Federal Reserve Bank of New York, acting pursuant to delegated authority, and to approval of the proposal by the appropriate state authorities.

By order of the Board of Governors,<sup>8</sup> effective May 30, 2002.

(signed)

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>8</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Bies and Olson. Absent and not voting: Governor Gramlich.