

Community Reinvestment Act Joint Public Hearing, August 12, 2010
Panel One: Lela Wingard-Hughes

Lela Wingard-Hughes:

Good morning and thank you for inviting me here today to participate in this conversation as well. J.P. Morgan Chase has a strong commitment to the communities that it serves as reflected in the outstanding range of its two subsidiary banks. Chase believes that this CRA has worked well overall, but that opportunities do exist to make some changes to the Regs and to the examination process to insure that the spirit and intent of the statute continues to be met in an environment which as has been noted, has greatly changed over the years.

Chase suggests that there are some considerations which should be taken into account in an effort to make the Regs more effective, including changes which would give greater CRA credit to community development lending, the evaluation of all CD activities of both lending and investing and services in tandem as a part of a new community development test within CRA Regs or within the exams; expanding the definition of community development to include activities that provide relief to geographies and business or individuals in response to widely recognized issues that are negatively impacting communities and that are needed to revitalize and stabilize those communities regardless of the income of those communities; modifying the approach for awarding CRA credit for multi-investor or multi-geography, low income housing tax credit funds or debt facilities to insure that institutions receive full weight in credit for those much needed activities; lessening the focus of mortgage lending and CRA exams, and perhaps most importantly, avoiding the use of the CRA as a vehicle for evaluating all of the concerns that may exist relative to the impact of financial products and services on LMI communities. We strongly believe that CRA should not become a panacea for an extremely broad array of retail banking compliance issues.

At this time I will focus on the topic of geographic considerations. The stated intent of Congress in establishing CRA was to insure that banks helped to meet the credit needs of the local communities in which they are chartered. By definition, the concept of local implies that those communities are surrounding in retail banks branch offices. The definition also implies that the institution has resources in those communities to help it engage in outreach to ascertain local community needs, develop partnerships with local organizations and to deliver products and services using its locally based infrastructure. Chase strongly believes that the current approach for defining assessment areas remain sound and provides sufficient flexibility to allow for the unique characteristics of institutions that don't serve their customers through a network of branches; such as limited purpose, wholesale, or even internet banks.

The Regs explicitly recognize that an institution's abilities to serve its markets and to meet community needs is very different in a market where the institution has a physical presence versus one where it doesn't. To the extent that products and services are provided outside of its local market or through third party providers, the activities are covered by relevant compliance regulations outside of the CRA, Chase does not believe it is necessary for compliance with those Regs to be a part of CRA ratings.

The expansion of CRA assessment areas to geographies outside of the bank's local markets may be the unintended consequence of discouraging responsible lenders from making credit available outside of its local markets, given the bank's limitations to meet CRA performance expectations across broader geographies. For example, Chase bank has over 5,000 branches located in 23 states and 263 CRA assessment areas. It also has some level of lending in every state in the nation, and in the overwhelming majority of the 953 metropolitan and micropolitan statistical areas; to expand its assessment areas by an increase of almost 700 geographies would stretch resources and risk eluding some of the most positive impacts of CRA on the bank's local markets. Such an expansion would increase the direct or indirect cost of providing credit in markets outside of its local markets and could lessen the bank's appetite for providing the much needed credit to areas of the country that are located outside of the bank's local markets. This would not be a good outcome for communities across the country.

Finally, Chase also believes that deposit-taking ATMs that are not available for the general public's use, such as those located at banks operating centers, and states where it has no other present, should not be a trigger for CRA.

In closing, Chase recognizes the value of the CRA and the critical role that it plays in helping to strengthen and revitalize local communities. We appreciate the opportunity to participate in this important process.