

JPMORGAN CHASE & CO.

Statement of Lela Wingard, JPMorgan Chase
Community Reinvestment Act Regulation Hearings
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Good morning. Thank you for inviting me here today to participate in this very important conversation. My name is Lela Wingard and I am the Director of CRA for JPMorgan Chase.

JPMorgan Chase has a strong commitment to the communities in which it does business and brings a wealth of experience to helping to meet the credit needs of low- and moderate-income 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 regulation 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.

Key Considerations Related to Enhancing CRA Regulations

Included among the key considerations that JPMorgan Chase believes should be taken

into account in an effort to make the CRA regulations more effective are:

- We 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 other community needs such as affordable health, child care, and education. Community development lending also plays a vital role in the revitalization or stabilization of low- and moderate-income communities. As a further 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 category within CRA examinations. We 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.

In addition, 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 need. Currently, examiners will give credit only to those efforts that primarily target low- or moderate-income individuals or census tracts with a significant burden of proof put 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 low- or moderate-income 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 add new language that

includes 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. For example, efforts to modify mortgages or restructure debt for any customer in response to a foreclosure crisis or recession, 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, to support programs to address hunger, or to serve on the boards of community development nonprofit organizations – regardless of whether the service is directly related to the provision of financial services, should be included in the definition of community development. Such efforts would also receive more appropriate consideration as a component of a community development test than what is currently the case, where community development services are considered as part of the service test and where branch distribution receives the greatest amount of focus.

- We suggest that CRA exams lessen the focus on mortgage lending. There are those who have argued that the over-emphasis on mortgage lending within CRA contributed to industry-wide underwriting criteria that was too flexible, products that were too exotic, marketing which was too aggressive and subsidies which were simply irrational.
- Furthermore, and perhaps most importantly, 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 low- or moderate-income consumers and borrowers. 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 requirements contained within the recently passed Dodd-Frank legislation, with regulations to be developed and implemented by the Consumer Financial Protection Bureau, has the express authority to address any other concerns related to the attributes of a bank's 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 regulations and exams.

Geographic coverage

The ideas of JPMorgan Chase relative to all nine topic areas for which the Agencies have requested input will be covered in our written comment letter. At this time, I will focus on just one of those topics, that being "geographic distribution".

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 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.

The regulations implicitly recognize that an institution’s ability to effectively 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 does not. The provision of financial services through electronic or other means provides consumer choice, along with the opportunity to transact with a broader array of banks who may offer products outside of their local markets using electronic means or third-party representatives. Consumers transact with those providers with the expectation that those providers, and the products and services that they offer, are governed by a broader array of regulations designed to provide protection against unfair, deceptive or illegal practices. To the extent that products and services are provided by a bank outside of its local markets, or through third-party providers, the activities are covered by relevant compliance regulations outside of the 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.

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 and risk diluting some of the most positive impacts of the CRA on JPMorgan Chase's local markets. Such an expansion of assessment areas would increase the direct, or indirect, cost of providing credit in markets outside of the bank's local markets and could lessen 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.

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 – say, 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. Such reviews should continue to be utilized, when needed, but should not become the standard for CRA examinations.

It has been suggested by some, 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 efforts to meet the convenience and needs of its local communities, the CRA performance categories for which an institution is examined should be consistently defined across all of its assessment areas. For example, 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.

The definition of limited-purpose bank should be expanded to include retail banks that have no branches, such as internet banks, or that have branches that are incidental to the primary business strategy of the bank, such as employee branches. The community development test has proven to be a reasonable and sufficient standard for non-retail institutions and we believe that this test would also be an appropriate standard for assessing other depository institutions, including internet banks, which would then be required to designate an assessment area which would generally consist of the geographies surrounding the bank's main office. If the institution is adequately meeting the community development needs of its assessment area(s), it would be able to receive CRA consideration for community development activities in other geographies.

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. Chase, for example, has three deposit-taking ATMs located at operations centers which are in MSAs where the bank does not have a branch presence and where the bank does not have the local infrastructure to implement a CRA program. The requirement that deposit-taking ATMs triggers CRA could impact a bank's decision regarding offering such ATM services to their own employees located in these centers. Accordingly, JPMorgan Chase believes that the deposit-taking ATM CRA trigger should not apply to ATMs that are not available to the general public and recommends that this requirement be removed from the CRA.

In Closing

JPMorgan Chase recognizes the value of CRA and the critical role it plays in helping to strengthen and revitalize local communities. We appreciate the opportunity to participate in this important process for soliciting ideas related to potential changes to the regulations, within the spirit and intent of the statute.