



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 12, 1996

Mr. Matthew Lee  
Executive Director  
Inner City Press/Community on the Move  
P.O. Box 416 HUB Station  
Bronx, New York 10455

Dear Mr. Lee:

This is in response to your requests dated October 14, and November 11, 1996, that the Board reconsider its approval of two proposals by The Chase Manhattan Bank, New York, New York ("Chase"): (1) to acquire certain assets from Wells Fargo Bank, N.A., San Francisco, California, through Chase Mellon Shareholder Services, Chase's joint venture with Mellon Bank Corporation, Pittsburgh, Pennsylvania,<sup>1/</sup> and (2) to acquire by merger all the branches of Chemical Bank New Jersey, Morristown, New Jersey ("CBNJ").<sup>2/</sup>

The Board's Rules of Procedure require that a request for reconsideration "present relevant facts that for good cause shown, were not previously presented to the Board."<sup>3/</sup> Your comments in the requests for reconsideration of the Chase/CBNJ and the Chase/Mellon Orders raise a number of matters that you previously have argued would support denial of the

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<sup>1/</sup> The Chase Manhattan Corporation, 82 Federal Reserve Bulletin 1041 (1996) (Order dated September 30, 1996) ("Chase/Mellon Order").

<sup>2/</sup> The Chase Manhattan Bank, 82 Federal Reserve Bulletin \_\_ (1996) (Order dated October 28, 1996) ("Chase/CBNJ Order").

<sup>3/</sup> See 12 C.F.R. 262.3(k).

proposals.<sup>4/</sup> In addition, your request for reconsideration of the Chase/Mellon Order contains many of the same objections that the Board subsequently considered in the Chase/CBNJ Order as part of your comments on that proposal.<sup>5/</sup> In light of all the facts of record, including your comments, and for the reasons discussed in detail in the orders, the Board concluded that these matters did not warrant denial of the proposals.<sup>6/</sup>

Your requests also raise several matters that occurred after the orders were issued that you contend require reconsideration of both approvals. In particular, you note that Chase misidentified a branch located in Harlem ("Harlem Branch") as a branch that would remain in an LMI census tract in all of its submissions to the Board and public press releases in connection with the Chemical/Chase merger when, in fact, the branch is not located in an LMI

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<sup>4/</sup> Matters related to the Chase/CBNJ Order include branch closings by Chase, its \$18 billion/5-year community investment plan, and Chase's managerial resources. Your request for reconsideration of the Chase/Mellon Order also disagrees with the Board's conclusion regarding Chase's branch closing policies, the public benefits associated with the proposal, the characterization of your comments in the Chase/Mellon Order, and the Board's reliance on supervisory information that was not disclosed in the order.

<sup>5/</sup> The Chase/CBNJ Order carefully considered your comments regarding Chase's 1995 Home Mortgage Disclosure Act ("HMDA") data, the designation of Chase subsidiaries as limited-purpose banks under the Community Reinvestment Act ("CRA"), Chase's automobile lending activities, the closing of an additional branch located in a low- and moderate-income ("LMI") census tract that was not previously disclosed in connection with the merger of Chemical Banking Corporation and the Chase Manhattan Corporation, both of New York, New York (Chemical Banking Corporation, 82 Federal Reserve Bulletin 239 (1996) ("Chemical/Chase Order")), and the loss of jobs resulting from the Chemical/Chase merger.

<sup>6/</sup> You also criticize Chase for curtailing services to low-, moderate-, and middle-income residents in the tri-state region while at the same time making mortgages at higher rates ("B&C mortgages") to LMI borrowers nationally through direct originations and purchases. Your request presents no facts to substantiate that Chase has engaged in improper actions.

census tract. Chase has acknowledged that the Harlem Branch is not located in an LMI census tract and has stated that the branch was included in its submissions as a means of assuring the Harlem community that the branch would remain open. The Federal Reserve System ("System") also has determined that a Rochester, New York, branch ("Rochester Branch") listed by Chase as a branch that would remain in an LMI census tract is located in a middle-income census tract.<sup>7/</sup> The other 85 LMI branches identified by Chase are located in LMI census tracts. In addition, the Chase/CBNJ Order noted that Chase will discuss with the System changes in its plans for LMI branches that vary from previous submissions.

You also state that Chase Bank has filed notice to close three branches in Brooklyn, the Bronx, and Westchester, and has proposed to leave automated teller machines only at the suburban Westchester branch. The Board carefully reviewed the branch closings as of August 1996 resulting from the merger approved by the Chemical/Chase Order. The Chase/CBNJ Order specifically noted that Chase would continue to operate more than 60 consumer branches in LMI census tracts out of approximately 260 consumer branches in New York City, and that since the Chemical/Chase merger, Chase has installed 23 of the 47 planned new 24-hour ATMs in branches located in LMI areas. The Board also has reviewed the branch closing policies for both Chemical and Chase before the merger and their records of branch openings and closings.

You continue to maintain that Chase should be required to issue adverse action notices to prospective applicants who are disqualified by the New York City Housing Partnership ("NYCHP") on creditworthiness grounds for the purchase of a home through NYCHP. In addition, you argue that Chase's HMDA data for NYCHP loans should be considered in light of Chase's admission that the screening of applicants by the NYCHP results in fewer mortgage applications being denied. The Chase/CBNJ Order noted that the System's discussions with the NYCHP have resulted in NYCHP's agreement to send adverse action letters to applicants considered ineligible for the program by NYCHP. Chase also would be required to issue adverse action notifications for any denials by Chase of mortgage loans to applicants approved by NYCHP,

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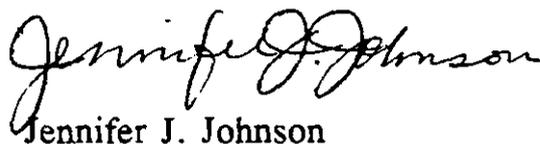
<sup>7/</sup> Board staff has advised Chase that the Harlem Branch and the Rochester Branch will not be considered as branches in LMI census tracts for purposes of evaluating Chase's record of performance under the CRA.

and would be required to report these denials under applicable HMDA reporting requirements.

Finally, you state that you recently have discovered that Board staff does not consider Chase's \$10 billion/5-year community investment plan to be a commitment made to the System in connection with the Chemical/Chase merger. The Chemical/Chase Order considered Chase's \$18 billion/5-year nationwide plan for the merged organization in light of all the facts of records, including comments that criticized the pledge as too being vague and largely unenforceable. To address these concerns, Chase stated that it would issue annual public announcements on its performance under the plan and that representatives would meet with interested groups periodically to address performance under the plan in local communities. Moreover, the Chase plan was only part of the overall record considered by the Board in concluding that the CRA records of performance by the institutions involved were consistent with approval.

Your requests for reconsideration of the Chase/CBNJ and Chase/Mellon Orders have been presented to the members of the Board to give them an opportunity to determine whether your requests warrant reconsideration or modification of the orders or a different finding under the statutory factors that the Board is required to consider under the Bank Holding Company Act or the Bank Merger Act. For all the reasons discussed above and in both orders, and based on all the facts of record, no member of the Board has requested that the orders be reconsidered or modified in any manner. Accordingly, your requests for reconsideration are hereby denied.

Very truly yours,



Jennifer J. Johnson  
Deputy Secretary of the Board

cc: Sara A. Kelsey, Esq.  
The Chase Manhattan Bank  
Federal Reserve Bank of New York