

Executive Summary

The Board of Directors of JPMorgan Chase & Co. (JPMC Board) recognizes its obligation to ensure that JPMorgan Chase Bank, National Association (Bank) has the appropriate financial and managerial resources to meet the requirements of the Federal Reserve Board of Governors and the Office of the Comptroller of the Currency (OCC) Consent Orders issued April 13, 2011. The Orders require significant actions to enhance the Bank's Compliance, Audit, and Risk programs and to aggressively improve the state of controls for residential mortgage loan servicing, loss mitigation, and foreclosure activities. The Bank is taking those actions, which are provided as "FRB Consent Order Action Plan Milestones" in this submission.

Source of Strength

The Bank has developed an Action Plan to address OCC Articles IV through XII, which relate to redefining core business controls including policies and procedures, data integrity, staffing, training, fee management, third-party oversight, and management reporting. Deloitte & Touche LLP has been engaged as the independent consultant to conduct independent Foreclosure Reviews required under both Orders. A Consent Order Steering Committee has been created and is responsible for setting overall program direction, monitoring progress and results, ensuring compliance with the Order, and serving as a point of escalation to resolve issues. The Consent Order Steering Committee meets on a weekly basis to review the status of the progress with respect to the Consent Order Action plans. During this meeting, progress against key milestones, interdependencies and issue identification and remediation are discussed.

In February 2011, [REDACTED] of JPMC and Head of Home Lending, established a weekly Home Lending Metrics Meeting representing a focused approach to managing and governing the business. An executive summary of the metrics report from this weekly meeting is produced and provided to senior management, including Jamie Dimon, CEO of JPMC and Chairman of the Board. In addition, Home Lending has added staff in key areas.

Board Oversight

The principal functions of the JPMC Board are to oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting, and compliance with law and the code of conduct. The purpose of the Audit Committee is to assist Board oversight of the performance of the corporation's internal audit function and independent registered public accounting firm and management's responsibilities to assure that there is in place an effective system of controls reasonably designed to safeguard the assets and income of the corporation, assure the integrity of the corporation's financial statements, and maintain compliance with the corporation's ethical standards, policies, plans and procedures, and with laws and regulations. The Risk Policy Committee is responsible for oversight of the responsibilities of the CEO and senior management to assess and manage JPMC's credit risk, market risk, interest rate risk, investment risk, liquidity risk and reputational risk, and is also responsible for review of JPMC's fiduciary and asset management activities.

In June 2011, the JPMC Board appointed a Joint Subcommittee of the Audit Committee and the Risk Policy Committee, consisting of Audit Committee Chairman Laban Jackson, and Risk Policy Committee Chairman James S. Crown, to monitor and oversee JPMC's compliance with the requirements of the Order. The Joint Subcommittee will convene at least monthly for the foreseeable future to review information and reports from JPMC management. The Joint Subcommittee will report to the Audit Committee, Risk Policy Committee and/or JPMC Board,

on the Risk Management program, policies and procedures for managing third-party service providers, the adequacy of levels of staff, types of officers and staff in JPMC's Risk Management, Audit and Compliance programs and the steps taken to improve the information and reporting to the JPMC Board or an authorized committee of the JPMC Board regarding residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations.

Mr. Crown is also the Chairman, and Mr. Jackson is a member, of the three-person Compliance Committee of the Board of JPMorgan Chase Bank, N.A., formed in April 2011 to ensure that the Bank achieves and maintains compliance with the OCC Order, including the successful implementation of the Action Plan. Frank Bisignano is the third member of the Compliance Committee.

Enhancements to Compliance, Audit and Risk Management Programs

As required by the Order, JPMC conducted an evaluation of the Home Lending Compliance, Audit and Risk Management programs to identify enhancements to each program. Compliance and Risk Management programs were reviewed based on bank holding company and bank standards for risk control functions as determined by banking regulators, specifically, components of FRB regulatory guidance including SR8-08/CA08-11, "Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles," and SR 95-51, "Rating the Adequacy of Risk Management Processes and Internal Controls at State Member Banks and Bank Holding Companies." Key program elements were reviewed, including governance, policies and procedures, risk assessment, and testing and monitoring. The effectiveness of each program element was assessed based on the current control environment, regulatory reviews and examinations, and deficiencies identified in enforcement actions for the residential mortgage servicing activities.

While the Compliance and Risk Management programs contained all of the key elements required, we concluded that the execution of these elements was not sufficient to adequately address the risks presented by a mortgage business with severe borrower delinquencies and accelerated loss mitigation and modification program requirements. Moreover, business and control reporting, overall assessment, and comprehensive view of risks in the mortgage business were lacking. Specifically, Compliance's inventory of laws, regulations and requirements needed to be expanded, risk rated, and the corresponding testing program expanded appropriately. To address this gap, JPMC engaged outside counsel to compile a Legal Requirements Matrix, a comprehensive database of Federal, State and investor requirements for foreclosure actions. Compliance is now analyzing its current testing program to ensure that it properly addresses applicable legal requirements. Risk management required a separate, comprehensive risk assessment be conducted to adequately classify risks and manage remediation for newly identified control issues. The Home Lending Audit Program did not increase scope and level of audit attention commensurate with the growth and complexity in business activity. In addition, root cause analysis of audit findings was not consistently provided to management. Finally, while reporting and status of audit findings were in place, information provided in control forums and business reviews could have been more focused.

Each program requires enhancement to elevate its effectiveness in a mortgage servicing environment with significant volume increases in a compressed period of time. Enhancements for all programs are well underway, with Compliance working with an expanded Legal Requirements Matrix of laws and regulations, Internal Audit executing its 2011 work plan with staffing augmented to a significant level, and Risk Management nearing completion on a comprehensive risk assessment of the mortgage servicing and default activities.

Source of Strength	
1.	<p>The board of directors of JPMC shall take appropriate steps to fully utilize JPMC’s financial and managerial resources, pursuant to section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)), to serve as a source of strength to JPMC, including, but not limited to, taking steps to ensure that JPMC complies with the Consent Order issued by the OCC regarding JPMC’s residential mortgage loan servicing activities.</p>
Response	<p>The JPMC Board has reviewed the Response to the Consent Order, as well as the Action Plans submitted in compliance with the OCC Consent Order. These responses contain achievable plans to enhance meaningfully JPMC’s and the Bank’s Compliance, Audit, and Risk policies, procedures, and practices. The JPMC Board fully supports, and will ensure that appropriate financial and managerial resources are devoted to, the efforts to comply with the Federal Reserve Consent Order and the OCC Consent Order. Specifically,</p> <ul style="list-style-type: none"> • The Bank has developed an Action Plan to address Articles IV through XII of the OCC Consent Order, which relate to redefining core business controls, including policies and procedures, data integrity, staffing, training, fee management, third-party oversight, and management reporting; • Both the Board of Governors of the Federal Reserve System and the Comptroller of the Currency of the United States have issued letters of non-objection to the engagement of Deloitte & Touche LLP as an independent consultant for the purpose of conducting the Foreclosure Reviews required under Items 3 and 4 of the Consent Order and Article VII of the OCC Consent Order; and • Upon implementation of the Action Plan, a Joint Subcommittee of the Audit and Risk Policy Committees will continue its oversight of the Bank’s mortgage servicing, foreclosure and loss mitigation activities. <p>JPMC established a Consent Order Steering Committee, which is responsible for setting overall program direction, monitoring progress and results, ensuring compliance with the Order, and serving as a point of escalation to resolve issues. The members of the Steering Committee are:</p> <ul style="list-style-type: none"> • Frank Bisignano, who is the CAO of JPMorgan Chase, the Head of Home Lending, a member of the JPMC Board and a member of the Compliance Committee of the Board of JPMorgan Chase Bank, N.A.;

- [REDACTED], who is General Counsel for JPMorgan Chase Bank, N.A.;
- [REDACTED] who is General Counsel Home Lending and Senior Legal Advisor for JPMC;
- [REDACTED] who is the Chief Risk Officer for JPMorgan Chase Bank, N.A.; and
- [REDACTED] who is the Chief Information Officer for JPMorgan Chase Bank, N.A.

The Consent Order Steering Committee meets on a weekly basis to review the status of the effort to comply with the requirements of the Consent Order and the OCC Consent Order, and to measure progress toward completion of the Consent Order Action Plans.

Weekly Management Review

JPMC has instituted a weekly Home Lending Metrics Meeting conducted by [REDACTED] in which managers representing every business and region within Home Lending, and key support and control groups, report on performance in areas including customer satisfaction and complaints, employee turnover, market share, critical errors, and control breaks. This weekly meeting also includes a review of customer complaints to determine and address root causes. Each week a summary of the metrics report is prepared for senior management of JPMC, including Jamie Dimon, CEO and Chairman of the Board of JPMC.

Reporting

Several reporting mechanisms have been enhanced throughout the Home Lending business and the supporting control functions. These reports have been developed to address the status of progress and compliance with the Consent Orders as well as to provide an ongoing status of the Home Lending Business:

- The weekly report of the Home Lending Metrics Meeting is provided to the Head of Home Lending and other members of senior management as well as JPMC’s control groups. This report contains information measuring performance in areas including customer satisfaction, employee turnover, market share, critical errors, control breaks, and customer complaints.
- The Weekly Consent Order Project Status Report is submitted to the Consent Order Steering Committee. It includes updates to the comprehensive action plan, showing key messages, activities, developments, risks, issues and watch items, as well as upcoming plans and milestones for the next week. The Steering Committee issues this weekly report to the Joint Subcommittee of the JPMC board and meets once every two weeks with the Joint Subcommittee to review the current report.

- The Monthly Home Lending Compliance Update will be reviewed monthly with Home Lending management, Corporate Compliance, Risk Management, and Internal Audit. This update report details the completion status of the Compliance test plan and provides detailed results and findings in Compliance reports issued that month.
- The Semi-Annual Assessment of the Global Compliance function is conducted at the direction of the Bank’s Global Head of Compliance and reports on the effectiveness and current state of compliance activities and any identified weaknesses.
- At least semi-annually JPMC management will report to the Risk Policy Committee and Audit Committees of the JPMC Board on the status of the Home Lending control environment and the status of open control issues, including but not limited to, the Bank’s residential mortgage loan servicing, Loss Mitigation, and foreclosure activities. These reports include the status and results of measures taken or to be taken to remediate deficiencies, and efforts to comply with the Consent Order.

Action Plan

JPMC has developed, and is currently implementing, comprehensive Action Plans to address the issues raised in the Consent Order and the OCC Consent Order. Those Action Plans identify the gaps between the current and the future state of JPMC’s policies, procedures, and practices; provide the concrete steps necessary to close those gaps; and provide for establishment of effective governance procedures. JPMC has committed the financial resources to implement the Action Plans and to ensure continued compliance with the Consent Order, the OCC Consent Order, and applicable laws, regulations, and supervisory guidance. The Board of Directors fully supports, and has devoted the managerial and financial resources of JPMC to implement, the Action Plans.

Action Plans specific to the Federal Reserve Consent Order are summarized in the “FRB Consent Order - Action Plan Milestones” schedule, which is provided as part of this submission. This schedule provides a summary of the milestone, start and projected end dates.

Board Oversight	
2.	<p>Within 60 days of this Order, the board of directors of JPMC shall submit to the Reserve Bank an acceptable written plan to strengthen the board’s oversight of JPMC’s enterprise-wide risk management (“ERM”), internal audit, and compliance programs concerning the residential mortgage loan servicing, Loss Mitigation, and foreclosure activities conducted through JPMC. The plan shall, at a minimum, address, consider, and include:</p>
Response	<p>JPMC has enhanced its board and management structure to provide more effectively for the monitoring and oversight of JPMC’s activities concerning residential mortgage loan servicing, Loss Mitigation and foreclosure, as well as the enterprise-wide risk management (ERM), Internal Audit and Compliance programs associated with them. This reporting structure includes both the ongoing review and oversight of JPMC’s compliance with the terms of the Federal Reserve and OCC Consent Orders, and is designed to ensure appropriate monitoring and oversight of the Home Lending business once the Consent Orders are satisfied.</p> <p>As noted in our response to Item 1 of the Federal Reserve Consent Order, several new committees, management meetings and reporting mechanisms have been implemented or enhanced to provide for the review, monitoring and oversight of the Home Lending business and JPMC’s progress with respect to our Action Plans in response to the Consent Orders. These forums provide an opportunity for issues and information to be reviewed by senior management and are the foundation for reporting and escalation to the JPMC Board and board level committees. Specifically, there are two significant changes in this area relating to board oversight. The first is the creation, on June 8, 2011, of a Joint Subcommittee of the Audit Committee and the Director’s Risk Policy Committee (Risk Policy Committee) of the Board of Directors of JPMC. The purpose of the Joint Subcommittee is to monitor and oversee JPMC’s compliance with the requirements of the Federal Reserve Consent Order. Its members are: Audit Committee Chairman Laban Jackson, who is Chairman of Clear Creek Properties, Inc.; and Director’s Risk Policy Committee Chairman James S. Crown, who is President of Henry Crown and Company. Each is also a member of the Compliance Committee of the Board of JPMorgan Chase Bank, N.A., which was created to oversee compliance with the OCC Consent Order.</p> <p>The Joint Subcommittee will convene at least monthly to review and consider information and reports from JPMC management, and to report to the Audit Committee, Risk Policy Committee and/or JPMC Board, concerning topics including but not limited to:</p>

- JPMC’s ERM program’s risk management oversight activities with respect to the Bank’s residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, particularly with respect to compliance with applicable legal requirements, and supervisory standards and guidance of the Board of Governors;
- JPMC’s adoption of policies and procedures designed to ensure that JPMC’s ERM program provides proper risk management of independent contractors, consulting firms, law firms, or other third parties who are engaged to support residential mortgage loan servicing, Loss Mitigation, or foreclosure activities or operations. For more information about timelines for the revised Third Party Oversight policy, refer to the Risk Management section 7 (a);
- Steps taken to ensure the adequacy of JPMC’s levels and types of staffing in JPMC’s ERM, audit and compliance programs dedicated to overseeing the Bank’s residential mortgage loan servicing, Loss Mitigation and foreclosure activities, and that the officers and staff that are involved in those programs have the requisite qualifications, skills and abilities to comply with the requirements of the Consent Order; and
- Steps taken to improve the information and reports that will be regularly reviewed by the JPMC Board or an authorized committee of the JPMC Board regarding residential mortgage loan servicing, Loss Mitigation, or foreclosure activities and operations.

Each week, the Joint Subcommittee members receive the Weekly Consent Order Status Report Update from the Compliance Committee (as referred to in Item 1) which outlines Home Lending’s progress toward completion of the OCC and Federal Reserve Consent Order Action Plans. The Joint Subcommittee convenes at least monthly to review this report and consider information and reports from JPMC management.

The second significant change relating to board oversight is the creation, at the direction of the Compliance Committee of the Board of JPMorgan Chase Bank, N.A., of the Consent Order Steering Committee, a committee of management, which is responsible for ensuring compliance with the Consent Orders. A description of the Steering Committee and its membership and responsibilities is discussed in detail in Item 1 of this Response. The Steering Committee meets on a weekly basis to review the progress of efforts to complete the Consent Order Action Plans. Each week after this meeting, the Steering Committee prepares a status report to the members of the Compliance Committee of the Board of JPMorgan Chase, N.A., including the two members of the Joint Subcommittee of the JPMC Board.

In addition to the weekly reporting to the members of the Compliance Committee and the Joint Subcommittee, management will provide quarterly progress reports to the JPMC Board of Directors on compliance with

requirements of the Consent Order and the status of control and oversight initiatives, and at least semi-annually management and/or the independent control functions, where appropriate, will update the Risk Policy and/or Audit Committee of the JPMC Board on third party management and oversight, adequacy of staff in ERM, Audit and Compliance, compliance risk assessments, and status of Home Lending controls and control issues.

JPMC also has made two key improvements in management practices relating to monitoring and oversight of JPMC's activities concerning residential mortgage loan servicing, Loss Mitigation and foreclosure, as well as the enterprise-wide risk management (ERM), internal audit and compliance programs associated with them. The most significant of those is the institution of a weekly Home Lending Metrics Meeting conducted by [REDACTED] in which managers representing every business and region within Home Lending, and key support and control groups, report to the group on performance in areas including customer satisfaction, employee turnover, market share, critical errors, and control breaks. This weekly meeting also includes a review of customer complaints to determine and address root causes. Each week a summary of the metrics report is prepared for senior management of JPMC, including Jamie Dimon, CEO JPMC and Chairman of the Board of JPMC.

The second significant management change in this area is the update of the charter of the Chase Home Lending Risk Management Committee. The members of the Risk Management Committee include senior business leaders and representatives from each Risk and Compliance group within JPMC. As currently chartered, the Risk Management Committee and its subcommittees will provide a forum for management review and discussion of existing and emerging risks and reviews all credit, portfolio, operational collateral, loan integrity and related policies.

The Home Lending business performance, issues and Consent Order progress are also discussed in JPMC Board subcommittees as detailed in the responses to Items 5, 6 and 7. Regular reporting on the status of the Home Lending Audit plan, results, and status of corrective measures will be incorporated into the Home Lending risk and control forums and business reviews, as well as provided to the Audit Committee of the JPMC Board. In addition to the regular reporting, Home Lending management and/or the independent control functions where appropriate, will be expected to report to the Audit Committee on the status of the Home Lending control environment.

Item 7 addresses the strengthening of the overall Enterprise Risk management plans with reference to governance, Third-Party Oversight, and risk policies and procedures. Action plans and milestones have been identified to further develop and refine the key risk indicators and metrics that are currently submitted and reviewed by management, various committees and the Board. Metrics and reporting currently in place and to be developed will address both the progress against the Consent Order action plan as well as ongoing monitoring of the control environment, risks and performance of the Home Lending business.

	<p>In addition to the weekly status report updates, bi-weekly meetings and monthly reviews that are presented to senior management, the Joint Subcommittee and Compliance Committee (both committees composed either largely or entirely of external board directors), reporting will also consist of quarterly written progress reports to the Board of Directors on compliance with requirements of the Order, status of the action plans and status of the control environment. Semi-annually, in addition to the reporting provided in the quarterly written status reports, JPMC management and/or the independent control functions, where appropriate, will update the Risk Policy and/or Audit Committee of the JPMC board on:</p> <ul style="list-style-type: none"> • Risk Management’s program for third-party management and oversight; • Adequacy of staff in ERM, Audit and Compliance; • Update on servicing, Loss Mitigation and foreclosure activities and operations, including compliance risk assessment and compliance with order; and • Status of Home Lending control environment and open control issues. <p>Board reporting frequency and content will continue to be addressed to react to changes in the risk and regulatory environment as well as to the status of the Home Lending control environment.</p>
<p>2. (a)</p>	<p>Policies to be adopted by the board of directors of JPMC that are designed to ensure that the ERM program provides proper risk management oversight with respect to JPMC’s residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, particularly with respect to compliance with the Legal Requirements, and supervisory standards and guidance of the Board of Governors as they develop;</p>
<p>Response</p>	<p>Risk Policies Risk policies with firm-wide implications are approved by the Audit Committee or the Director’s Risk Policy Committee (Risk Policy Committee), and are submitted to the Board of Directors for their review and approval. The Risk Policy Committee is responsible for oversight of the CEO’s and senior management’s responsibilities to assess and manage the corporation’s credit risk, market risk, interest rate risk, investment risk, liquidity risk, and reputational risk and it is also responsible for review of the corporation’s fiduciary and asset management activities. The Risk Policy Committee is chaired by James S. Crown. The other committee members are David M. Cote, who is Chairman and Chief Executive Officer of Honeywell International and Ellen V. Futter, who is President and Trustee, American Museum of Natural History. The Risk Policy Committee’s charter includes the following authorities and responsibilities:</p>

- Review with management guidelines and policies to govern the process for assessing and managing risks;
- Review benchmarks for and major financial risk exposures from such risks;
- Receive and review reports from management of the steps it has taken to monitor and control such exposures;
- Review management’s performance against these policies and benchmarks;
- Receive and review reports on selected risk topics as management deems appropriate on an ad hoc basis;
- Review the corporation’s capital allocation; and
- Review reports of significant issues prepared by internal risk oversight functional groups.

The JPMC Board, through its Risk Policy Committee, has adopted a firm-wide set of risk policies (the “Global Primary Risk Policies”) designed to ensure that JPMC’s ERM program provides proper risk management oversight with respect to all of JPMC’s activities. Upon adoption of Firm-wide Policies, the Board holds management accountable for implementation of these policies and for ensuring that systems and processes are in place to confirm compliance with these policies.

As part of the Home Lending enhanced policy review process, Risk Management will ensure alignment to Global Primary Risk Policies. The most relevant Global Primary Risk Policies for the Home Lending business are the Consumer Credit Risk Management, Operational Risk Management, and the Reputational and Fiduciary Risk Management Policies. Risk Management will address operational risk and reputational risk in resolving issues identified in the Federal Reserve and OCC Consent Orders and based on the results of the comprehensive risk assessment. Market, liquidity and capital risk policies will be reviewed based on business priorities.

In addition, as denoted in our response to the OCC Consent Order, Article IV and to Item 5(c) and Item 7(a) herein, Home Lending is enhancing its process for standardizing, developing, and implementing policies and procedures. Business management, Risk Management, Legal and Compliance review and approve policies and, where appropriate, procedures. Policies and procedures being changed as a result of the Consent Orders will be reviewed and approved by the accountable senior business owner. This review will include a determination as to what, if any, policies require escalation to more senior level management or for subsequent committee review.

	<p>JPMC management and/or the independent control functions, as appropriate, will report to the Risk Policy Committee of the Board, no less than semi-annually, on the ERM program’s risk management oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities pursuant to the Global Primary Risk Policies and any more detailed policies related thereto.</p> <p>Reporting frequency and content will continue to be addressed to react to changes in the risk and regulatory environment as well as to the status of the Home Lending control environment. In addition to the quarterly written progress reports which are presented to the Board, the Risk Policy Committee will report on these matters to the JPMC Board, as appropriate.</p>
<p>2. (b)</p>	<p>Policies and procedures adopted by JPMC to ensure that the ERM program provides proper risk management of independent contractors, consulting firms, law firms, or other third parties who are engaged to support residential mortgage loan servicing, Loss Mitigation, or foreclosure activities or operations, including their compliance with the Legal Requirements and JPMC’s internal policies and procedures, consistent with supervisory guidance of the Board of Governors;</p>
<p>Response</p>	<p>Third-Party Oversight The Bank is currently engaged in enhancing the Third-Party Oversight Program (TPO Program) under Article V of the OCC Consent Order. The Response for Article V of the OCC Consent Order provides a detailed description of the Action Plan to enhance the TPO program.</p> <p>The TPO Program is a Firm-wide, multi-tiered policy and procedure framework focusing on Third-Party Oversight that sets forth a minimum standard of Firm-wide requirements. Firm-wide policy and procedures have been developed to comply with applicable laws, regulations and OCC guidance (including OCC Bulletin 2001-47 and Supervisory Letter 2010-55). Home Lending policies and procedures are consistent with the enhanced TPO Program and a new Firm-wide Third-Party Provider Policy, which has replaced the former TPO Standard. Home Lending policies and procedures have been designed to supplement the enhanced TPO Program to account for Home Lending-specific requirements, including the OCC Consent Order. During this process, a cross-functional team identified gaps in the TPO Program. Based on this gap analysis, JPMC has developed a draft Firm-wide Third-Party Provider Policy, enhanced Home Lending Policy and Home Lending Operating Procedures. A draft of the enhanced Home Lending Policy now encompasses all outside provider functions, including foreclosure and bankruptcy functions, as well as functions provided by outside counsel. While implementation of many of the enhancements to the TPO Program has begun, efforts to strengthen the TPO Program are ongoing.</p>

	<p>JPMC has strengthened the framework for monitoring, reporting, and escalating matters concerning Third-Party Providers. Details of Home Lending efforts to enhance the Third-Party Oversight are further outlined in the response to Consent Order Item 7 – Risk Management. Third-Party risk reviews will be become a standing agenda item for the Home Lending Risk Management Committee, or its appropriate subcommittee, and monthly Home Lending business reviews. The Firm-wide Third-Party Provider Policy provides for periodic review by the Board directly or through committees that the Board may designate, of updates from senior management regarding Third-Party Provider monitoring and reporting regarding risk, performance, and quality of service. The Policy was reviewed and approved by the Mortgage Banking Risk Committee on November 2, 2011.</p> <p>Board reporting will consist of quarterly written progress reports to the Board of Directors and semi-annual presentations by JPMC management or the internal control functions, where appropriate, to the Audit and/or Risk Committees on compliance with requirements of the Consent Orders, status of the action plans, and status of the control environment. Semi-annually, JPMC senior management and/or the independent control functions, where appropriate, will specifically update the Risk and/or Audit Committee of the JPMC Board on the program for third-party management and oversight. In addition to the regular quarterly reports, the Risk Policy Committee will report on such matters to the JPMC Board as appropriate. Reporting frequency and content will continue to be addressed to react to changes in the risk and regulatory environment as well as to the status of the Home Lending control environment.</p>
<p>2. (c)</p>	<p>Steps to ensure that JPMC’s ERM, audit, and compliance programs have adequate levels and types of officers and staff dedicated to overseeing JPMC’s residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, and that these programs have officers and staff with the requisite qualifications, skills, and abilities to comply with the requirements of this Order; and</p>
<p>Response</p>	<p>Risk, Compliance, and Internal Audit are structured and organized so as to maintain independence and authority. Responses to Items 5(b), 6(c), and 7(b) address action items underway to ensure that JPMC’s Risk Management, Audit and Compliance programs have adequate levels and types of officers and staff dedicated to overseeing JPMC’s residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, and that these programs have officers and staff with the requisite qualifications, skills, and abilities to comply with the requirements of this order.</p> <p>The reporting line for these individuals and organization are outside of the Line of Business and report directly into the functional heads for Risk (Chief Risk Officer), Compliance (General Counsel) and Audit (General Auditor).</p>

Staffing AdequacyCompliance

As detailed in the response to Item 5(2), on a quarterly basis, as Compliance evaluates the actual completion of the test plan versus planned tests for the quarter, initiatives undertaken by the lines of business, and new regulations and revisions to existing regulations, Compliance will perform a staffing analysis to ensure that it has the requisite staffing. Compliance staff numbers will be included in the weekly submission for the Home Lending Senior Management meeting, as well as reported in the monthly Compliance report distributed to Home Lending Senior Management and the JPMC Global Head of Compliance.

On a semi-annual basis, the Global Head of Compliance requires that the Senior Compliance Managers complete an assessment of the effectiveness of the Global Compliance Function, which reflects the state of the compliance activities.

Audit

A revised Home Lending Audit Plan was developed, during which a review of the adequacy of staffing of the audit function for loan servicing, Loss Mitigation and foreclosure activities was evaluated. As detailed in the response to Item 6(b), Internal Audit included within its audit scope the effectiveness of the ECP and ERM with respect to residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and compliance with the Legal Requirements and supervisory guidance of the Board of Governors.

Risk Management

The reporting structure within JPMC's Risk organization (e.g., committees and Risk Management departments) is designed to promote independence and objectivity. JPMC reviewed all aspects of the current Risk Management program and referenced supervisory guidance and industry expert opinion to ensure that the current structure is aligned with supervisory best practices. Within the next 90 days, Home Lending Risk Management will also develop staffing plans related to risk assessment and controls.

The Risk Management organization's independent role was reinforced and is responsible to ensure that a comprehensive Enterprise Risk Management framework exists. The Risk oversight function was expanded with a new Chief Risk Officer. In addition, Risk Management was reorganized and staff assessed with a focus on effective oversight of default servicing activities.

Compliance, Audit and ERM Overall

Any additional metrics and reporting enhancements required to address staffing adequacy and qualifications will be identified by August 12, 2011. Staffing metrics will be included in the quarterly written progress reports to be submitted to the JPMC Board of Directors. In addition, at least semi-annually, JPMC management, and/or the independent control functions, where appropriate, will report to the Risk Policy Committee and/or Audit Committee of the JPMC Board on the adequacy of JPMC's levels, types of officers and staff in JPMC's risk management, audit and compliance programs dedicated to overseeing the Bank's residential mortgage loan servicing, Loss Mitigation and foreclosure

activities, and the qualifications, skills and abilities of the officers and staff of these programs to comply with the requirements of the Order. As appropriate, the Risk Policy Committee and/or Audit Committee will report on these matters to the JPMC Board.

Incentive Compensation for Control Functions

Incentive compensation pools for Control functions (Risk, Finance, Human Resources, Audit, and Compliance) are determined based on a bottoms-up assessment of recommended compensation as well as a top-down assessment of budgetary resources and control area metrics—both qualitative and quantitative. For corporate-level Control functions (Compliance, plus parts of Risk, Finance and Human Resources), pool determinations are made by the CEO in conjunction with the functional head and with input from the Operating Committee. Audit pool determinations are made by the CEO and the General Auditor. For line of business-aligned Control functions within Human Resources, Finance and Risk, pools are determined based on consultation among the line of business head, the line of business Control head and the corresponding corporate-level functional head, with ultimate decision owned by the corporate-level functional head.

Individual incentive compensation awards for employees in Control functions are driven by a combination of the market value of the role, management’s view of relative individual performance and the available incentive compensation pool. Individual compensation decisions are made by an employee’s manager, with successive levels of review/approval. Risk and Control compensation is not predominantly based on the performance of the line of business they oversee so is less subject to variability than compensation for front office professionals. Revenue generating business managers cannot determine or change the incentive level of employees in control functions.

Disciplinary Actions

All employees of the firm are subject to the Code of Conduct and are required to affirm that they have reviewed it on an annual basis.

In January 2010, JPMC implemented enhancements to the provisions in our equity awards to enable claw back and recovery of incentive awards by the Firm: (1) for conduct detrimental to the Firm, insofar as it causes material financial or reputational harm to the Firm or its business activities and (2) for members of the operating Committee, members of LOB Management Committees (including the control functions leads) and certain other employees, failure to properly identify, raise or assess, in a timely manner and as reasonably expected, risks and/or concerns with respects to risk material to the Firm or its Business activities. Awards under the Corporate Annual Incentive Plan (AIP) are discretionary, not formulaic, and in general are based on performance factors considered for the individual, the function and the firm as a whole. As such, an employee’s lack of adherence to control policies and procedures would constitute a performance issue and would result in reducing or eliminating their AIP award. Depending on the severity of the violation, this would potentially subject them to corrective action up to and including termination.

<p>2. (d)</p>	<p>Steps to improve the information and reports that will be regularly reviewed by the board of directors of JPMC or authorized committee of the board of directors regarding residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, including compliance risk assessments and the status and results of measures taken, or to be taken, to remediate deficiencies in residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, and to comply with this Order.</p>
<p>Response</p>	<p>As described in the response in Item 1 – Source of Strength, several reporting mechanisms have been enhanced throughout the Home Lending business and the supporting control functions. These reports have been developed to address the status of progress and compliance with the Consent Orders as well as to provide an ongoing status of the Home Lending Business and in part, form the basis for reporting to the Board and Board-level committees.</p> <p>Reporting An assessment was performed of the reporting and management information systems to determine if additional reports or changes to reports were required. The review considered the distribution, and frequency of the reports to ensure that information, including status of regulatory and Consent Order issues, were highlighted. Reports were redesigned with a focus on control issues, ownership, and current status.</p> <p>The objective of the assessment was to improve business and control information for senior management and for Board and Board-level committees. The most significant report changes are the addition of the Joint Subcommittee, which oversees the Consent Order remediation and the weekly Home Lending Metrics meeting and report, which provides the Head of the business with detailed business and control information.</p> <p>Regular reporting to the Board of Directors of JPMC or one or more of the board committees regarding residential mortgage loan servicing, Loss Mitigation, and foreclosure activities include the following:</p> <ul style="list-style-type: none"> • The Weekly Consent Order Status Report is submitted weekly to the Joint Subcommittee of the Audit Committee and the Risk Policy Committee. • The Home Lending Metrics - Executive Summary is a summary of the Home Lending Metrics Meeting package and is provided to the CEO/Chairman of the Board and other members of senior management as well as JPMC's control groups. It contains information measuring performance in areas including customer satisfaction and complaints, employee turnover, market share, critical errors, control breaks, and other metrics.

- Audit Department Executive Management Reporting is sent to the Audit Committee monthly.
- The Semi-Annual Assessment of the Global Compliance function is conducted at the direction of the Bank’s Global Head of Compliance and reports on the effectiveness and current state of compliance activities and any identified weaknesses.
- Material Matters Requiring Attention, compliance testing and risk assessment results and open compliance-related audit items will be reported periodically by Home Lending Compliance to an appropriate committee or subcommittee of the Board.

Meetings and Reviews

Reporting to Board and Board-level committees has been enhanced with the Joint Subcommittee focused on Consent Order remediation progress and additional reporting to existing committees.

Joint Subcommittee of the Audit Committee and Risk Policy Committee

- At least monthly (and currently every other week), the Joint Subcommittee convenes to review and consider information and reports from JPMC management to assist in the oversight and monitoring of JPMC’s compliance with the requirements of the JPMC Board subcommittees.

Audit Committee

- The General Auditor will present four times per year to the Audit Committee on the status of the control environment in Home Lending.
- At least semi-annually, JPMC management, or the internal control functions, where appropriate, will report to the Audit Committee of the JPMC Board on the status of the Home Lending control environment and the status of open control issues, including but not limited to, the Bank’s residential mortgage loan servicing, Loss Mitigation, and foreclosure activities. As appropriate, the Audit Committee will report on these matters to the JPMC Board.

Audit and Risk Policy Committees

- At least semi-annually JPMC management or the internal control functions, where appropriate, will report on:
 - Residential mortgage loan servicing, Loss Mitigation and foreclosure activities and operations, including compliance risk assessments and the status and results of measures taken or to be taken to remediate deficiencies and to comply with the Order; and

	<ul style="list-style-type: none">○ The adequacy of Home Lending’s levels, types of officers and staff in Home Lending’s Risk Management, Audit and Compliance programs dedicated to overseeing the Bank’s residential mortgage loan servicing, Loss mitigation and foreclosure activities, and the qualifications, skills and abilities of the officers and staff of these programs to comply with the requirements of the Order. <p><u>Board of Directors</u></p> <ul style="list-style-type: none">• As appropriate, the Risk Policy and/or Audit Committee will report to the JPMC Board on any of the above matters presented to them.• The next presentation from the Head of Home Lending to the JPMC Board of Directors is scheduled for July 19, 2011.
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