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**The Chase Manhattan Bank**  
JPMorgan Chase Community Development Group  
One Chase Manhattan Plaza, 6th Floor  
New York, New York 10081  
Telephone: 212-552-1798  
Fax: 212-552-5545

**Mark A. Willis**  
Executive Vice President

October 17, 2001

Robert E. Feldman  
Executive Secretary  
Attention: Comments/OES  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, D.C. 20429

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, N.W.  
Washington, D.C. 20552  
Attention Docket No. 2001-49

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve  
System  
20th and C Streets, N.W.  
Washington, D.C. 20551  
Docket No. R-1112

Communications Division  
Public Information Room, Mailstop 1-5  
Office of the Comptroller of the Currency  
250 E Street, S.W.  
Washington, D.C. 20219  
Attention: Docket No. 01-16

By E-Mail and Overnight Mail

Re: Advance Notice of Proposed Rulemaking Regarding the Community  
Reinvestment Act Regulation

Dear Sirs and Madams:

The Chase Manhattan Bank, Morgan Guaranty Trust Company of New York and their bank affiliates (collectively, "JPMorgan Chase") appreciate the opportunity to comment upon the Advance Notice of Proposed Rulemaking regarding proposed changes to Regulation BB of the Federal Reserve Board ("Regulation BB" or "the Regulation"), which implements the Community Reinvestment Act ("CRA").

It has now been six years since Regulation BB was amended significantly and sufficient time has elapsed to permit an evaluation of the changes from an objective perspective.

JPMorgan Chase believes that, overall, the Regulation has worked very well and commends the bank regulatory agencies (the "Agencies") on their difficult work in overhauling the prior version of the Regulation.

JPMorgan Chase does not believe that major CRA reform is necessary. The comments below, however, are intended to suggest ways to reorganize the Regulation so that it remains current with changes in the banking environment, the economy and community needs since its overhaul in 1996. Guiding principles underlying JPMorgan Chase's suggestions are:

- to sustain the letter and the spirit of the CRA for the long term;
- to provide more flexibility to institutions to create unique CRA programs that are both responsive to local credit needs and aligned with the institutions' distinct business strategies;
- to reduce paperwork and other regulatory burden; and
- to create a meaningful incentive for banks to achieve "Outstanding" ratings.

The major component of JPMorgan Chase's comments is a recommendation to reorganize the Regulation, while maintaining all of its components, into a two-part test that aligns the Regulation both with the core businesses of retail banks and with specific community development efforts. Under this reorganization, the Regulation would be comprised of a Retail Banking Test and a Community Development Test. As more fully described below, the Retail Banking Test would include retail lending (mortgages, small business and optional consumer) and retail banking services; the Community Development Test would include community development lending, community development investments and community development services.

The purpose of this recommendation is to achieve long term sustainability for CRA, from both a public policy and business perspective, so that it will continue to impact positively low- and moderate income ("LMI") communities and households. The Regulation's foundation is strong, but it needs some renovations to enhance its value in the years to come.

**1. Large Retail Institutions: The Lending, Investment and Service Tests Should be Reorganized into a Retail Banking Test and a Community Development Test and Banks Should be Given Flexibility in Determining the Weight Each Test Will Have in Their Evaluation**

*Do the regulations strike the appropriate balance between quantitative and qualitative measures, and among lending, investments, and services? If so, why? If not, how should the regulations be revised?*

Many institutions consider that the Regulation is first and foremost a "numbers game." The CRA performance of a bank is measured quantitatively against local market demographics, the bank's prior performance and the performance of peer institutions. Qualitative initiatives are often considered enhancements that may mitigate weaknesses in an institution's quantitative performance, but they do not seem to carry as much weight as the quantitative measures. For example, the retail branch distribution network is evaluated quantitatively and is given great weight in the Services test rating. But the community development portion of the Services Test, which often accounts for a significant portion of an institution's qualitative initiatives, may not receive the same amount of weight. Some banks are concerned that the amount of weight given to community development services is too far too small relative to the amount of resources institutions dedicate to providing them and to the positive impact they have on communities.

While the qualitative measures are factored into the CRA rating, they may not always get sufficient weight compared to the quantitative measures. It is unlikely or rare that they would be given sufficient weight to increase or decrease a CRA rating. Because there is no incentive for an outstanding CRA rating, some institutions are beginning to question whether their qualitative

efforts are worth the expenditures in terms of dedicated human and financial resources.

It is understandable that examiners give less weight to things that are not easily measurable. However, recognition for these important initiatives is critical for their long-term sustainability. Institutions need to know that the public believes that such efforts are worthwhile and that “numbers” are not all. Today, some banks are providing innovative, responsive, flexible and complex community development activities, in spite of, rather than as a result of, the Regulation.

JPMorgan Chase believes that the current Regulation, with all of its current components, could be reorganized to provide a better balance between the qualitative and quantitative measures while providing more flexibility to institutions to design CRA programs that are aligned with their business strategies, interests and strengths. We recommend that the Regulation for large retail banks be divided into two tests: Retail Banking and Community Development. A reorganized Regulation would allow for a more holistic approach to the distinct retail banking and community development needs of local communities.

With respect to the appropriate weight each test should have, some banks believe that Congress intended them to meet their CRA responsibilities solely through retail banking operations and that community development activities were not intended to be a requirement of the Regulation. Other banks believe that community development activities are so important to the health and prospects of local LMI communities that these activities alone could, at a bank’s option, fulfill the bank’s CRA responsibility. In recognition of the fact that each bank has a unique business strategy, assessment area, set of resources and corporate culture, we recommend that large retail banks be allowed to determine the amount of weight for each of the two tests. At the bank's option, the minimum amount of weight for either the Retail Banking or Community Development Test should be 25% and the maximum weight should be 75%.

**A. The Lending Test Should Be Combined with Retail Banking Services and Be Renamed the Retail Banking Test**

*Does the lending test effectively assess an institution's record of helping to meet the credit needs of its entire community? If so, why? If not, how should the regulations be revised?*

The Lending Test does an adequate-to-excellent job of assessing how well a bank is meeting the credit needs of its entire community, including LMI communities and households. Whether the resulting grade accurately reflects a bank's CRA performance really depends on the ability of the Agency's exam team and the bank's compliance team to develop a productive dialogue and exchange of information.

In a two-part CRA test, the Retail Banking Test would combine mortgage, small business and optional consumer lending with retail banking services. Retail banking services are basically distribution networks, such as branches and ATMs. Combining retail lending with retail banking distribution systems would provide a better alignment between the Regulation and the core businesses of retail banks.

The benefit of combining retail lending with retail distribution is that the CRA evaluation could better balance the quantitative and qualitative measures within one test rather than across multiple tests. For example, a bank may be only average in small business lending because of the very competitive market in which it operates. It may, however, offer some very innovative, niche LMI small business loan products through an alternative banking delivery system. In the current evaluation process, the innovative small business loan products are assessed as part of the Lending Test and the alternative delivery systems are assessed as part of the Services Test. By separately assessing and rating retail lending and retail distribution, the evaluation process does not align with the way the bank manages its business. As a result, the innovative small business initiative may not gain sufficient recognition as a result of being split between the Lending and

Service Tests. The combination of the two under one test, the Retail Banking Test, achieves a more holistic result.

Another institution may not have enough LMI branches relative to its local competition but offer highly flexible LMI mortgage products while providing mortgage counseling in near-by LMI communities to reach these households. By combining retail lending and retail banking services in the same test, examiners will be better able to assess how well the institution is meeting local credit needs.

As part of our proposed two-part test, we would move community development lending into the new Community Development Test. See Part 1.D. below.

**B. The Investment Test Should Become Part of the Community Development Test**

*Does the investment test effectively assess an institution's record of helping to meet the credit needs of the entire community? If so, why? If not, how should the regulations be revised?*

The Investment Test does not assess how well an institution is meeting the credit needs of the entire community. It assesses how much the institution has invested, whether the investments are CRA-eligible, whether any investments are innovative or complex and how the portfolio compares quantitatively, but not qualitatively, with the investment portfolios of peer institutions. The performance evaluation does not consider whether making investments is aligned with the bank's business strategy or whether the investments even yield a return, because the Regulation requires large retail banks to make CRA-eligible investments regardless of these considerations. This is different from the way in which investments are assessed at wholesale and limited purpose banks. These banks can choose among community development lending, community development investing and community development services to meet their CRA responsibilities. These institutions can better align their CRA initiatives with their business

strategies and examiners can easily balance the qualitative and quantitative measures.

While there is no formula for the amount of CRA eligible investments that a bank should have on its books, there is regulatory expectation that a CRA portfolio will increase over time. The current stand-alone Investment Test for large retail banks is of concern because there are not enough eligible investment funds or other investment vehicles to grow a large, profitable, responsive and diverse CRA portfolio that has a meaningful impact on local community development needs. There may be enough investment opportunities, however, to grow a very large, modestly profitable portfolio of CRA eligible investments that has little community development value in terms of responsiveness to community development needs. In a numbers game, the latter is the portfolio of choice.

Many CRA eligible funds that have the most impact have relatively low returns. Low-income housing tax credits that are so important to low-income housing development have experienced dramatic drops in their yields in recent years. By combining community development lending, investments and services, institutions would have the flexibility to build more sustainable community development programs. They will be able to invest for the right reasons and at the right time and not simply to satisfy the Regulation and its current focus on the quantitative measures.

**C. The Retail Banking Portion of the Service Test Should Be Moved to the New Retail Banking Test and the Community Development Portion of the Services Test Should Be Moved to the new Community Development Test**

*Does the service test effectively assess an institution's record of helping to meet the credit needs of its entire community? If so, why? If not, how should the regulations be revised?*

Banks appreciate how difficult it is for examiners to evaluate CRA performance under the current Services Test. As previously described, retail banking services are predominantly distribution networks or systems. These networks are created over many years and through

many mergers and acquisitions. The purpose of them is to sell a set of products. The product set may differ greatly from bank to bank. Products may include consumer and small business loans, investments, insurance and deposit services. Branches and alternative delivery systems also seek to build full service customer relationships. Each large retail bank has a unique brick and mortar network that generally defines its CRA assessment areas as well as alternative delivery systems that also reach these markets and beyond. Each bank's branch network and alternative delivery systems also provide a unique set of products and services.

As a result of this complexity, it would make more sense to integrate the retail banking portion of the Services Test into a new Retail Banking Test and to integrate the community development portion of the Services Test into a new Community Development Test. A reorganized Regulation would better align with the way banks manage their retail banking and community development businesses.

**D. The Community Development Test Should Include Community Development Lending, Community Development Investments and Community Development Services**

*Are the definitions of "community development" and related terms appropriate? If so, why? If not, how should the regulations be changed?*

JPMorgan Chase has several comments on community development in the Regulation and the CRA eligibility of community development activities outside a bank's assessment area.

**(1) Community Development Lending Should Be Moved to the New Community Development Test**

We recommend that community development lending be moved into the new Community Development Test which would be exactly the same as the current Community Development Test for wholesale and limited purpose banks. A separate Community Development Test would evaluate community development lending, community development investments and community development services. As with the proposed Retail Banking Test and the current test for



wholesale and limited purpose banks, more flexibility to balance qualitative and quantitative measures would allow banks to make better business decisions which, in the long run, will make CRA more sustainable.

**(2) The Definition of “Community Development“ Should be Expanded to Include Activities that Help to Revitalize and Stabilize Geographies that Have Been Devastated as the Result of a Natural Disaster or an Act of Terrorism or War**

Although the definition of community development works very well in most circumstances, it does not include activities that aid areas devastated by a natural disaster or acts of terrorism or war. The recent tragic events in New York and Washington have underscored the fact that in a disaster, whether it is a hurricane, earthquake, flood, terrorist attack or act of war, people and communities are lost or severely damaged. Beyond the horrendous loss of life and its enduring pain, communities may not only include large corporations, but also the “mom and pop” small business service providers, as well as street vendors, restaurants, hotels and other businesses that provide jobs to people of all income levels, including LMI individuals.

Banks have traditionally recognized the need to assist those in need for the short term as well as to provide support to the community in its efforts to rebuild. Short term initiatives may include, for example, waiving credit card, mortgage and home equity late fees, offering a three-month mortgage payment moratorium for retail customers who are having difficulties related to the disaster and creating special programs for businesses which require additional funds because of the disaster. Investments may include disaster relief funds to be distributed to both victims and to survivors who have suffered economic hardships. Efforts for the long term may include advisory services to local and state agencies and real estate development loans to rebuild storefronts and help create jobs for low wage earners.

The Regulation does not specifically recognize efforts by financial institutions to assist their communities in time of need. Examiners will give credit only to those efforts that primarily target LMI individuals or census tracts with the burden of proof put upon the institution. Because the types of relief banks provide help anyone, regardless of income or LMI location, banks may not receive CRA credit for these initiatives that truly help their communities to rebuild. 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." JPMorgan Chase suggests that the definition of community development be expanded to add new language that includes activities that provide disaster relief to geographies, businesses and individuals that have been victims of a natural disaster, an act of terrorism or war.

**(3) Community Development Activities Outside a Bank's Assessment Area Should Receive CRA Consideration Provided that the Bank Is Adequately Meeting Community Credit Needs Within Its Assessment Areas**

All qualified community development lending, investing and services outside a bank's assessment area should be considered favorably, as long as the bank is adequately meeting the needs within its assessment areas. This concept aligns with the current test for wholesale and limited purpose banks. Additionally, some banks have the experience, expertise and capacity to do community development lending and investing in rural areas, underserved markets and to national community development loan funds. These banks have developed strong working relationships with national Community Development Financial Institutions and other large-scale community builders that need capital in markets where there are no or few financial institutions. Opening up new markets and new opportunities could be beneficial to lenders, as well, since it would offer them more opportunities to create sustainable CRA programs that could take maximum advantage of their community development resources..

**(4) The Definition of "Community Development Service" Is Too Restrictive in Limiting Eligible Services to Financial Services**

Section 228.12(j) of the Regulation defines community development service as a service that (1) has its primary purpose community development; (2) is related to the provision of financial services; and (3) has not been considered in the bank's retail banking services portion of the evaluation. JPMorgan Chase believes that, by limiting eligibility to community development services that are financial in nature, the definition excludes from receiving CRA credit valuable community development services provided by the bank and its employees. For example, membership on the board of Habitat for Humanities would not be considered a community development service under the Regulation, although clearly, this organization performs valuable community development activities.

To remedy this problem, we suggest deleting "is related to the provision of financial services" in Section 228.12(j)(2) and adding the financial services component to the definition of community development. Section 228.12(h)(2) would then read: "Community development means--(2) community or financial services targeted to low-or-moderate-income individuals."

**2. Limited Purpose and Wholesale Banks: The Community Development Test--The Definition of Limited Purpose Bank Should Be Expanded to Include Retail Banks that Have No Branches or Branches Incidental to the Bank's Primary Business Strategy**

*Are the definitions of "wholesale institutions" and "limited purpose institution" appropriate? If so, why? If not, how should the regulations be revised?*

*Does the community development test provide a reasonable and sufficient standard for assessing wholesale and limited purpose institutions? If so, why? If not, how should the regulations be revised?*

*Would the community development test provide a reasonable and sufficient standard for assessing the CRA record of other insured depository institutions, including retail institutions? If so, why and which ones, and how should the regulations be revised? If not why not?*

The definition of limited-purpose bank should be expanded to include retail banks that

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have no branches or that have branches that are incidental to the primary business strategy of the bank, such as insurance or employee branches. The community development test has proven to be a reasonable and sufficient standard over the past six years for non-retail institutions. We believe that this test would also be a reasonable and sufficient standard for assessing other depository institutions, including retail institutions.

While we proposed a two part retail banking and community development evaluation for large retail banks, we also see the logic of having only a community development test for them. In some cases, this concept is particularly compelling. An example of a "large retail bank" that should be assessed under the community development test is The Chase Manhattan Bank USA N.A. ("Chase USA") located in New Castle County, Delaware. This \$48 billion bank has multiple consumer loan products booked on its balance sheet and therefore, meets the definition of "large retail bank." Considering that consumer loans are an optional element of the Regulation, this may not be the right measurement for defining a large retail bank.

Chase USA does not have any retail branches. Less than 1% of its deposits come from the State of Delaware. It has no local sales force. Its only small business loans are business credit cards. In fact, all loans, except community development loans, are offered nationwide through a variety of alternative delivery systems. The community development test applicable to limited purpose and wholesale banks makes much more sense for a bank such as Chase USA. than does the retail banking test, which is premised upon a conventional idea of a bricks and mortar bank.

### **3. The Process of Adopting a Strategic Plan Is Too Cumbersome**

*Does the strategic plan option provide an effective alternative method of evaluation for financial institutions? If so, why? If not, how should the regulations be revised?*

As a concept, the strategic plan is an excellent way to achieve an alignment of

community development with a bank's strategies. The major problem with the strategic plan is that the "process" is too long and cumbersome. Embarking on a strategic plan process would divert more staff resources than any institution could reasonably dedicate to CRA regulatory processing since the CRA staff must also manage CRA examinations and work closely with business units to ensure that they are fulfilling their on-going CRA responsibilities. As described later, a CRA exam can take as much as a full year or more.

Another big problem with the strategic plan is that banks are required to make their strategic plans public, including detailed information about major lines of business. Most banks do not want to provide this proprietary information to their competitors. We believe that banks should seek ideas and input from the public prior to submitting a strategic plan to the Agencies for review, but we do not think they should be required to provide proprietary information, such as lending goals by market.

Finally, banks are very reticent about multi-year goal setting and re-setting goals through a lengthy public and regulatory process if there is a major change in the economy or a major change in business strategy.

**4. The Performance Context Is Invaluable In Understanding and Assessing an Institution's CRA Performance**

*Are the provisions on performance context effective in appropriately shaping the quantitative and qualitative evaluation of an institution's record of helping to meet the credit needs of its entire community? If so, why? If not, how should the regulations be revised?*

The performance context can work well and can provide a degree of flexibility within the Regulation that is critical to understanding the unique environmental and business dynamics that differentiate one institution from another. Both examiners and compliance officers need to communicate well in order for the performance context to add value to the institution's evaluation. We do not believe that the Regulation needs to be revised in this respect.

**5. Assessment Areas--The Definition of Assessment Area Should Exclude Limited-Access Deposit-Taking ATMs**

*Do the provisions on assessment areas, which are tied to geographies surrounding physical deposit-gathering facilities, provide a reasonable and sufficient standard for designating the communities within which the institution's activities will be evaluated during an examination? If so, why? If not, how should the regulations be revised?*

Section 228.41(b) and (c) of the Regulation provide that a bank's assessment area must include the geographies in which the bank has its main office, branches, and deposit-taking ATMs. The Regulation 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. The requirement that deposit-taking ATMs triggers CRA prevents banks from offering such ATM services to their own employees located in these centers. This requirement also impedes the ability of banks to reach business customers and their employees nationwide by offering ATM deposit-taking services to those employees in their office buildings. 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 Regulation.

**6. Activities of Affiliates Should, at the Bank's Option, Be Included in Assessing a Bank's CRA Performance**

*Are the provisions on affiliate activities, which permit consideration of an institution's affiliates' activities at the option of the institution, effective in evaluating the performance of the institution in helping to meet the credit needs of its entire community, and consistent with the CRA statute? If so, why? If not, how should the regulations be revised?*

JPMorgan Chase agrees with the Regulation's provision that permits banks to include affiliate activities in their assessment areas for CRA credit. Many banks manage their businesses

functionally and not by legal entity. To exclude affiliate activities from CRA consideration would unfairly punish those banks, particularly large banks, whose book of business is structured in separate legal entities.

**7. Data Collection Should Remain Unchanged; Maintenance of Public Files, However, Needs Revision**

*Are the data collection and reporting and public file requirements effective and efficient approaches for assessing an institution's CRA performance while minimizing burden? If so, why? If not, how should the regulations be revised?*

JPMorgan Chase has two comments on data collection and the public files.

**A. The Data Collection Requirements Should Remain Untouched**

JP Morgan Chase can think of no circumstances which would justify changes or additions in the data collection requirements of the Regulation. The current data collection and reporting requirements are working well after years of expensive start-up costs, including significant systems' changes.

**B. The HMDA Disclosure Provision of the Public File Requirements Needs Modification**

The content of an institution's public file should be re-examined. The mandate to include Home Mortgage Disclosure Act ("HMDA") statements for every affiliate whose lending is being used and MSA is extremely onerous for large financial institutions. The 2000 HMDA data that JPMorgan Chase must make available in five locations is approximately 25,000 pages. Because banks are required to keep two years of statements in the public file, the actual number of pages in the public files is approximately 50,000.

The requirement to reproduce the entire public file for each state in which a large financial institution has a presence is wasteful. Most financial institutions rarely, if ever, receive requests to review the information collected in their public files. The vast majority of people who have an interest in a bank's CRA performance contact the CRA Officer directly. Moreover,

because so much of the data is available on the Internet or through the Federal Financial Institutions Examination Council, the need for HMDA data to be maintained in a public file is minimal.

Accordingly, JPMorgan Chase strongly recommends that the Regulation be amended to allow institutions to keep one public file only, and not a full copy in each state. This would save valuable space in branches, save paper and the expense of distributing and maintaining the records in the branches without harming the public's ability to obtain the desired information.

## **8. Other Issues**

### **A. The Regulation Should Provide for an Incentive for Banks to Achieve Outstanding CRA Ratings**

Clearly, there is an incentive for banks to receive at least a "Satisfactory" CRA rating. There is, however, no incentive for banks to achieve "Outstanding" CRA ratings. "Outstanding" CRA ratings are very difficult to achieve and they are incrementally far more expensive to achieve than "Satisfactory" ratings. Theoretically, doing an outstanding job of serving local credit needs should be a reward in itself. Unfortunately, the financial services industry does not live in a theoretical world. Banks should be encouraged to provide the research and development necessary to develop innovative and responsive programs and stretch their resources to make a visible impact in LMI communities. One way to encourage them is to provide an incentive for them to provide far more resources and capital to community reinvestment than is expected for banks to achieve a "Satisfactory" rating.

Some large banks are questioning the cost of achieving an "Outstanding" CRA rating, especially when community leaders do not seem to think that "Outstanding" ratings are justified, important or add value to the community. We believe that banks should seek to achieve "Outstanding" CRA ratings and we would hope that community organizations would join in this



proposal because the incremental loans, investments and services provided by banks with "Outstanding" CRA ratings far exceed what is generally provided by banks with "Satisfactory" ratings.

Some community organizations may be concerned that banks with "Outstanding" CRA ratings could have fair lending issues that are not accounted for in the bank's CRA rating. Insured depositories institutions and their lending subsidiaries, however, are examined for compliance with both CRA and the other fair lending laws and the CRA rating takes into consideration results from the fair lending examination. Banks that have received Outstanding CRA ratings should be provided a safe harbor from CRA protests. By doing this, the Agencies would be standing behind their own extensive examinations and ratings.

**B. Purchased Loans and Originations Should Receive Equal Credit**

The Regulation currently treats purchased loans the same as originations in assessing a bank's performance under the Lending Test. JPMorgan Chase believes that this provision should not be changed. Banks that purchase loans provide liquidity to smaller institutions which may lack access to Fannie Mae or Freddie Mac. Without this liquidity, some borrowers, particularly those in non-urban areas, may not find easy access to mortgage or other loans.

**C. All Investments Meeting the Definition of Community Development Investment Under Regulation BB Should be Eligible for Self-Certification Under Regulation H and 12 C.F.R. Part 24; In Addition, the Community Development Investment Provisions of Regulation H and Part 24 Should be Made Consistent With Each Other and With Regulation BB**

The self-certification provisions for community development investments under 12 C.F.R. Part 24 ("Part 24") and under Regulation H of the Federal Reserve Board ("Regulation H") should permit, to the extent possible, self-certification of any investment that meets the CRA community development eligibility requirements. Currently, both Part 24, applicable to national banks and Regulation H, applicable to state member banks, contain additional requirements that

must be met in order for a bank to self-certify an investment. Moreover, the additional requirements of Part 24 and Regulation H differ from each other. JPMorgan Chase suggests that the Agencies conform these rules to each other and, to the extent possible, to Regulation BB.

Some examples of these differences include the following. Part 24 requires a self-certifying bank to demonstrate non-bank community support for or participation in the investment; neither Regulation BB nor Regulation H contains this requirement. Part 24 requires the self-certifying bank to be well capitalized; Regulation H requires it to be adequately or well capitalized. Part 24 requires a self-certifying bank to have at least a "Satisfactory" CRA rating; Regulation H has no such requirement. Regulation H, however, requires a self-certifying bank to have at least a "Satisfactory" consumer compliance exam rating; Part 24 contains no such requirement. Moreover, each rule uses similar, but not identical, language to describe the same concept, which leaves the reader to guess whether substantive differences in meaning were intended. These differences may appear small, but they unnecessarily complicate the investment process, particularly in an institution such as JPMorgan Chase, which has banks regulated by both the Office of the Comptroller of the Currency and the Federal Reserve Board.

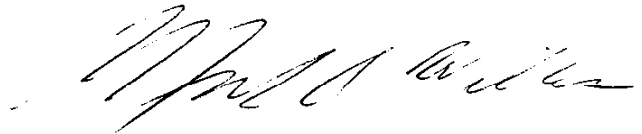
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As discussed at the outset of this letter, there are four guiding principles underlying these comments. We have taken a long-term look at the potential sustainability of CRA under the current framework and believe some changes to the Investment Test are necessary, but we are not otherwise looking for a fundamental change. We have suggested rearranging various components of the current Regulation to allow for more flexibility and more opportunities to balance the quantitative and qualitative factors. We recommend some practical solutions to reducing paperwork and other regulatory burden. Finally, we have suggested that the Agencies consider providing an incentive for banks to achieve "Outstanding" ratings to

encourage institutions to provide more loans, investments and services in their local communities.

JPMorgan Chase greatly appreciates the time and effort of the Agencies in revising the Regulation six years ago. Despite its incredible complexity and increased regulatory burden, it has achieved great results in a relatively short period of time. We believe, however, that to ensure that this success can continue over a long period of time, some changes would be beneficial. Our suggestions do not require a dramatic overhaul but rather some reorganization within the Regulation. We hope that the Agencies will carefully consider our recommendations.

Sincerely yours,

A handwritten signature in cursive script, likely belonging to a representative of JPMorgan Chase, positioned below the closing text.