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Robert E. Feldman, Executive Secretary
Attn: Comments
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Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, D.C. 20551
By e-mail: regs.comments@federalreserve.gov

Re: Community Reinvestment Act; Interagency Questions and Answers Regarding Community Reinvestment; Notice and Request for Comment.

OCC: Docket ID OCC–2013–0003
FRB: Docket No. OP-1456

Dear Sir or Madam:

JPMorgan Chase Bank, N.A. and its bank affiliates (collectively, “Chase”) appreciate the opportunity to comment upon the Proposed Revisions to the Community Reinvestment Act Interagency Questions and Answers Regarding Community Reinvestment (the "Proposal") of the above-named agencies (the "Agencies").

Chase has a strong commitment to the communities in which it does business and brings a wealth of experience to helping meet the credit needs of low- and moderate-income borrowers and neighborhoods in its local communities by providing community development loans, investments and services across its banking markets.

Chase supports the Agencies' effort to update the Community Reinvestment Act Questions and Answers (the "Q&As") in regard to community development to clarify issues raised during the comment period and public hearings held in 2010. We also appreciate the stated intent of the Agencies to revise CRA examination procedures to reflect the final guidance and to develop consistent application of the guidance within and amongst the Agencies.

Chase believes that opportunities exist to make some changes to the CRA examination process to assure that the spirit and intent of the statute continues to be met in an environment that has changed greatly since the Q&As were last updated in 2010 and in a manner which seeks to lessen the burden of proof associated with documenting that certain community development activities benefit low- and moderate-income persons or areas served by the institution.

Finally, we feel there is a timely opportunity to expand the CRA guidance in regards to the statutory requirement that deposit facilities serve the convenience and needs of the communities in which they are chartered to do business by recognizing the evolving needs and preferences of local communities, including persons with low- and moderate-incomes, and to give greater CRA consideration to products and services provided through technological innovations.

As requested in the Interagency Questions and Answers Regarding Community Reinvestment; Notice and Request for Comment, Chase is providing comments on the specific topics and questions contained in the Proposal.

Proposed Revisions to Existing Q&As

I. Community Development Activities Outside an Institution's Assessment Area(s) in the Broader Statewide or Regional Area That Includes the Institution's Assessment Area(s)

The Agencies propose to clarify that community development activities in the broader statewide or regional area that includes an institution's assessment area(s) will be considered in the evaluation of an institution's CRA performance.

Additionally, the Agencies propose to remove the language that specifies consideration for activities in the broader statewide or regional area will be given to an institution that has "adequately addressed the community development needs of its assessment area(s)" and, among other things, such activity cannot be conducted in lieu of, or to the detriment of, activities in the institution's assessment area(s).

Chase Comment:

The Agencies' intent that community development activities in the broader statewide or regional area that includes an institution's assessment area(s) will receive consideration is clearly stated. The proposed clarification pertaining to CRA consideration in the broader statewide or regional area that includes an institution's assessment area(s) will not provide an incentive for banks to increase their community development activities or expand their opportunities to engage in community development activities.

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 clearly aligns with the current guidance that allows a bank to receive favorable consideration for community development activities in a broader statewide or regional area as long as the bank is adequately serving its assessment area. However, there remains a lack of clarity regarding how such activities are weighted in the exams, and until a "brighter line" exists, the uncertainty could continue to hamper the volume of community development activity that an institution undertakes in a broader regional area.

Furthermore, CRA examiners have historically requested that broader statewide and/or regional area activities be additionally labeled as "with potential to benefit assessment areas" or "without potential to benefit assessment areas". This distinction is subjective and also implies that the two groups of activities may receive different levels of consideration or weight in a CRA exam. We propose that the process could be made more clear, consistent and less burdensome for both the institution and the Agencies if the "with or without potential" distinction was removed from consideration in the evaluation process.

Some banks have the experience, expertise and capacity to do community development lending and investing in rural areas, underserved markets and with intermediaries that have the capacity to oversee those activities. Opening up new markets can be beneficial to the communities and to lenders as well, since it potentially offers more opportunities to create sustainable CRA programs that could take maximum advantage of the institution's community development resources.

While it is generally recognized that there are a variety of activities that meet the definition of community development as specified in the regulation, it is not clear that similar types of activity are consistently valued, awarded credit, or considered for CRA credit, both within and across the Agencies. Currently, the regulation is not clear as to how much consideration is given to similar types of activity, including, for example, letters of credit, or term extensions on existing credit facilities for construction financing. This uncertainty further compounds the lack of clarity regarding the consideration given to community development activities.

Chase suggests that a bank's community development performance would be further enhanced with increased clarity and consistency on how the various community development activities are treated by the regulatory Agencies in regards to all of the above mentioned topics including, but not limited to, the treatment of community development activities in broader regional areas.

The proposal that community development activities outside of a bank's assessment area should receive full CRA consideration provided that they are not "conducted in lieu of, or to the detriment of, activities in the institution's assessment area(s)'' raises greater uncertainty than the present language.

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. It appears within existing guidance and performance evaluations that the term "adequate" indicates performance is deemed to be in the satisfactory range and, therefore, that CRA consideration is given for community development activities in the broader regional area if an institution's activities that address the community development needs are adequate.

The Proposal states that "when evaluating whether community development activities are being conducted in lieu of, or to the detriment of, activities in the institution's assessment area(s), examiners will consider an institution's performance context, including the community development needs and opportunities in its assessment area(s), its business capacity and focus, and its past performance.'' We believe the proposed language should be omitted. While performance context and the other variables mentioned provide flexibility that allows institutions to present salient facts, they also increase the uncertainty associated with a lack of transparency on how the variables will be judged and the possibility of inconsistent treatment across exams and institutions. We believe the addition of the proposed language will increase the uncertainty that currently exists whereby community development activities receive CRA consideration if the institution is adequately serving the community development needs of its assessment area. Any increased uncertainty could lead institutions to shy away from community development activities in the broader regional area, which would be the opposite of the desired effect.

The proposed removal of the specific language that discusses "a diffused potential benefit to an institution's assessment area(s)" may help eliminate the inconsistent treatment of such activity.

When addressing consideration that may be given for activities in a regional area, the current Q&A states that the" benefit to the institution's assessment area(s) may be diffused and, thus, less responsive to assessment area needs". The proposed removal of the specified language may help eliminate the inconsistent treatment of such activity in exams by removing any lack of clarity related to whether such activity is eligible for CRA consideration. The language is also not needed given the Proposal also clearly states that community development activities in the broader statewide or regional area that includes an institution's assessment area(s) will receive consideration.

We believe the proposed definition of a "regional area" should embody greater flexibility.

The proposed Q&A language would reflect greater flexibility if the commonly accepted definitions of regional areas mentioned in the Proposal were noted as examples, and institutions were allowed the flexibility to present to examiners other commonly accepted definitions of a regional area, based upon the institutions size, performance context and the particular broader regional area(s) under consideration. For example, for a large national institution regional delineations such as those demarcated by the Census Bureau Regions and Divisions of the United States could be an acceptable approach given the performance context of the institution.

Without the specification that alternatives contained in the Q&As are to serve as examples, and do not represent a definitive list, institutions may find that additional flexibility is not available, as has been the case when other examples stated in the guidance have been interpreted as the only allowable options for consideration.

Proposed Revisions to Existing Q&As

II. Investments in Nationwide Funds

The proposed Q&A states that there may be several ways for an institution to demonstrate that an investment in a nationwide fund meets the geographic requirement of the CRA. The revised language would also remove the suggestion that earmarking and side letters can be provided at an institution's option as the use of those methods to define the portion of an investment in a nationwide fund that benefits an institution's investment may be burdensome and may provide disincentives to investing.

Chase Comment:

Chase supports the Agencies' Proposal to disallow earmarking and side letters as a means of allocating among a number of bank investors, respective participation in nationwide funds. We believe the only equitable method of distributing CRA credit for multi-investor fund investments is to use the location of a fund's projects, assign each investing institution a pro rata share of the total fund and to allocate that share in a manner consistent with the geographic location of the underlying investments.

Chase believes that the only appropriate method of allocating CRA credit for national and regional fund investments that is fair to all investors is to assign pro rata credit for each project in which the fund invests based on the pro rata share of the institution's investment in the fund.

The pro rata share method makes sense for several reasons. First, legally, investors own a pro rata share of each investment the fund makes in a project, so the allocation of CRA credit in the proposed manner aligns with the legal ownership of the investor (unlike side letters, which have no legal relationship to the investor's interest and require an institution to rely upon a fund manager to take on the responsibility of delegating CRA credit and assisting in CRA recordkeeping, which can be burdensome). Second, it prevents one institution from "claiming"

CRA credit for a particular project or area, to the exclusion of other investors who may also want, and legally and financially deserve, some credit for that project or area. Third, it eliminates any possible "double-counting" of investments for the same project by different institutions.

Supporting the suggestion for the pro rata share approach is the public policy mandate that the Agencies must find a way to count investments in fund projects located outside an institution's assessment area or broader statewide or regional area that includes its assessment area. As long as the fund has at least one project in the institution's assessment area, the institution should receive full CRA consideration for those projects outside the bank’s assessment area, as long as the institution has adequately addressed the community development needs of its assessment area or, in accordance with the option presented in the current Proposal, as long as the institution has not made the investment “in lieu of, or to the detriment of, activities in the institution’s assessment area(s)”.

Chase believes that national and regional funds with a primary purpose of community development play a role in providing affordable housing to low- and moderate-income individuals and families across the United States, with the low-income housing tax credit (LIHTC) program being the largest program responsible for creating affordable housing across the United States. Because of the unique nature of national and regional funds and the role they play, the CRA regulation should continue to encourage these investments.

In so doing, care should be taken to ensure that CRA credit for investments in multi-investor funds is fairly distributed among investors and investors are able to receive full CRA consideration for the entire amount of their investment without concern in regards to whether the allocation of CRA credit is truly reflective of the institution’s legal and financial interest in the fund. Furthermore, the requirements of CRA should not unduly influence the administration of the funds or their ability to meet the needs of smaller localities by spreading investments across broader geographical areas. Anything less than this could deter institutions from investing in these funds and could ultimately lead to their demise.

It is in this context that Chase supports the allocation of investments in a nationwide or regional fund using a pro rata share as opposed to allowing fund managers to determine the amount and the location of CRA credit that an institution would receive.

Enhancement to the guidance also makes it imperative that the regulations allow for the transparent reflection of how a bank's investments in multi-investor or multi-geography funds are allocated to the bank's rating areas so as to confirm that full weight and full credit was received for these investments and to make apparent the impact that these investments have on the bank's rating.

We believe an institution's investments in a nationwide or regional fund should not be reflected in a separate exam table that is not associated with a rating area. As an alternative, we suggest that a more meaningful approach would be to reflect such investments in the exam table for a rating area(s) that is a part of the broader regional area in which the project is located making it clear that the investments in the broader regional area contributed to the conclusions for the rating area.

Proposed Revisions to Existing Q&As

III. Community Services Targeted to Low- or Moderate-Income Individuals

The Proposal seeks to provide additional guidance on ways that institutions may determine that community services are being provided to low- or moderate-income individuals including utilizing eligibility for free or reduced-price meals under the USDA's National School Lunch Program, or for Medicaid, as alternate means of establishing that an individual is of low- or moderate-income.

Chase Comment:

Chase supports the proposal to recognize alternative methods of proving that community services benefit low- and moderate-income individuals and to lessen the burden of proof by using eligibility for specific government programs as a proxy for income.

As a practical matter, it is infeasible and problematic to require income information from student participants, the elderly and others that may benefit from community development activities. A request for such information may, in fact, deter participation when the provision of the information is not viewed by the individual receiving the service as relevant to the service being provided. For an institution attempting to bring to bear its full resources to address the needs of local communities, this presents a particularly vexing conundrum.

The proposed changes will clearly reduce the compliance burden associated with obtaining the evidence of income needed to satisfy the burden of proof required for CRA examinations in those situations where services are targeted to persons attending schools where the majority of persons are eligible for free and reduced-price school lunches or to persons eligible for, or receiving, Medicaid. The Proposal attempts to strike a better balance between the provision of a community service and the associated burden of proof to receive CRA consideration.

Chase therefore fully supports the change proposed by the Agencies to allow proxies for establishing low-or moderate-income. We also believe that the proposed language prefacing the revision should emphasize that the listed examples include, but are not limited to, the specified list. It is important that banks be given the flexibility to provide data from a government program or community development nonprofit organization that establishes that the income of the individuals benefitting from the community development activity, when not based on the area median income, is less than or very similar to the median family incomes that would be considered low- or moderate- incomes for an MSA or non-MSA portion of a state.

Proposed Revisions to Existing Q&As

IV. Service on the Board of Directors of an Organization Engaged in Community Development Activities

The Agencies seek to clarify the activities that are considered as community development services and ensure more consistent treatment of service activities across exams by specifying that service on the board of directors of a community development organization would receive consideration.

Chase Comment:

Chase suggests that the list of activities eligible for CRA consideration be further expanded to embody any community services that utilize the professional skills of the institution's employees.

We believe it is helpful that the Agencies have proposed expanding the list of activities listed as examples of activities that are eligible for CRA consideration to include serving on the board of directors of community development organizations. Community development organizations benefit from a broad range of technical assistance from bank employees. Banks employ personnel that possess a wide range of professional skills that can be of assistance when provided to a community development organization. Examples of such skills include, but are not limited to, information technology, training, personnel, legal and operations. We therefore suggest that the list of activities eligible for CRA consideration be further expanded to state that any activities that utilize the professional skills of the bank volunteer.

Proposed New Questions and Answers

I. Qualified Investments

The Agencies have proposed specific guidance that will limit quantitative consideration in CRA exams in those instances where an institution invests in, or lends to, an organization that, in turn, invests those funds in instruments, such as Treasury securities, that do not have a primary purpose of community development or that use only a portion of the income from those investments to benefit the community development purpose of the organization or activity.

Chase Comment:

The proposed question is sufficiently clear and will not impact community development lending or investing.

Chase believes the intent or the proposed question is sufficiently clear and will be beneficial in assuring that investments receiving CRA consideration have a primary purpose of community development, consistent with the spirit and intent of the regulation. We do not see any reason that the Proposal will either encourage or discourage community development investments or loans but do believe the Proposal will create a more level playing field in ensuring that investments across institutions are similarly evaluated based on the potential dollar benefit, to the organization, of activity that has a community development purpose.

Proposed New Q&A:

II. Community Development Lending in the Lending Test Applicable to Large Institutions

The Agencies have proposed a new Q&A to clarify that community development lending is always a factor that is considered in an institution's lending test rating and is one of five criteria evaluated in the lending test. Further the Proposal would specify that community development lending performance may have either a positive, neutral or negative impact on lending test conclusions.

Chase Comment:

The Proposal clearly states that community development lending is one of the five performance criteria evaluated in the lending test and that performance context will be considered in record of making community development loans.

Community development lending has a significant and positive impact in helping to stimulate affordable housing, job creation and retention, as well as provide needed financing for other community needs such as affordable health care, child care, and education. The financing of rental housing, especially in the current economy, is also an important element of meeting the needs of communities, where some residents may not be realistic mortgage candidates and yet the regulation currently focuses much more strongly on homeownership. Community development lending also plays a vital role in the revitalization or stabilization of low- and moderate-income communities.

The proposed new Q&A that specifies the impact of community development lending on lending test conclusions will no longer be limited to a neutral or positive impact but can now have a negative impact has the effect of emphasizing its importance on CRA exam outcomes. The Proposal also references that the conclusions with respect to community development lending will be dependent upon the performance context that provides an institution the flexibility to present the unique set of facts that impacted its performance. We fully support the Agencies stated intent to develop consistent application of the guidance via examiner training to ensure that the flexibility is applied in a consistent manner and help provide greater transparency.

Chase does not believe the Proposal will promote additional community development lending

While the intent of the proposed Q& A is to recognize the value of community development lending, Chase does not believe the Proposal will promote additional community development lending as institutions generally attempt to meet the credit needs of their markets within the context of their business strategy and with acceptable risk parameters; we do not anticipate the proposed Q&A would change that approach.

Banking institutions do not control the availability of community development lending opportunities. A significant proportion of community development lending consists of real estate lending with market opportunities directly associated with the availability of government programs such as tax credits and other subsidies for which the allocation process and priorities are established by state or municipal agencies. The loss or reduction in public subsidies increases pressure for higher tax credit pricing, which may have a negative impact on efforts to increase community development lending.

There is the additional risk that in an effort to avoid the potential negative CRA impact that the Proposal suggests could result from a low level of community development lending, institutions could feel compelled to construct more aggressive deal structures and engage in riskier transactions to avoid CRA ratings risk. More aggressive community development lending by larger institutions in smaller markets could also increase competition between large institutions and smaller community banks.

While the Proposal will not lead to additional lending, it is conceivable that it may create an expectation of additional lending, underscoring the need for emphasis within the final Q&A and the examiner guidance on taking into consideration the context within which viable community development lending opportunities may occur so expectations are not unduly raised.

We do not believe the Proposal raises issues that need to be addressed with revised ratings guidance.

The Proposal clearly states that the evaluation of community development lending will continue to consider the performance context of the institution including its business model, the needs of the community and the availability of community development opportunities in the assessment area and the broader statewide or regional areas that include the assessment area. Given the lending activity, geographic distribution, and borrower distribution components of the lending test evaluation continue to be based on units whereas the evaluation of community development lending is based on dollar volume, and that innovation, flexible practices, and performance context are important factors impacting conclusions, we believe that the existing ratings guidance provides the needed flexibility to take into consideration the various performance standards that are applicable to the lending test ratings. This belief is underscored by the fact that the FRB and FDIC have been utilizing the approach stated in the Proposal within the current ratings guidance.

Redesignation of Existing Question and Answer without Substantive Change

I. Activities With Minority- and Women-Owned Financial Institutions and Low-Income Credit Unions

The Agencies have proposed moving, without any change in the language, the Q&A that discusses activities with Minority- and Women-Owned Financial Institutions and Low-Income Credit Unions.

Chase Comment:

The redesignation of the existing Q&A pertaining to activities with Minority- and Women-Owned Financial Institutions and Low-Income Credit Unions will not affect those activities.

Chase believes that the criteria under which a non-minority and non-women-owned financial institution may receive CRA consideration for activities undertaken in cooperation with minority- or women-owned financial institutions and low-income credit unions is clear. We do not believe the proposed redesignation from the Q&A section that further defines community development activities to the Q&A section pertaining to performance tests, standards, and ratings in general will impact the activities between the non-minority and minority institutions.

General Comments

> **Chase believes the revised Q&As present an opportunity to expand the CRA guidance in recognition of the role of technology in meeting banking needs and to give greater CRA consideration to alternative delivery mechanisms that meet those needs.**

We feel the forthcoming Q&A revisions present a timely opportunity to expand the CRA guidance related to the statutory requirement that deposit facilities serve the convenience and needs of the communities in which they are chartered to do business by giving greater consideration to the evolving needs and preferences of local communities, including persons with low- and moderate-incomes. Such consideration could reflect the impact of products and services that meet those needs, including through means that provide the convenience of depository facilities, while making products and services available through technological innovations. Technological advances have also enabled the delivery of community development services such as financial education curriculum and webinars, where it is not feasible to request the income of the participants. The accessibility of banking services, including to persons with low- or moderate-incomes, can be significantly enhanced with alternate delivery channels and the increased accessibility should be reflected in the weight received in CRA exams.

Chase is pleased to have had the opportunity to submit these comments. We would be happy to discuss them further with you.

Sincerely,

Lela Wingard Hughes