

Excellence in CRA Program Management

2010 National Interagency Community Reinvestment Conference
March 16, 2010

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JPMorgan Chase (JPMC) CRA Overview

JPMC has two legal entities which are each subject to separate CRA examinations by the Office of the Comptroller of the Currency (OCC)

- JPMorgan Chase Bank

- 5,164 branches
- 263 CRA assessment areas spanning 23 states, and including 6 multi-state assessment areas
- current CRA rating for 2004-2006 activity - **Outstanding**
- next CRA exam will evaluate 2007-2010 activity
- evaluated as large retail bank

- Chase Bank USA

- no branches accessible to the public
- assessment area is New Castle County, DE
 - current CRA rating for 2006-2008 activity - **Outstanding**, as a large retail bank
 - next CRA exam expected to evaluate 2009-2011 activity and will begin in 2012
 - next CRA exam will be as a Limited Purpose Bank

10. Understand the rules of the game

- Know the regulations and the CRA Q &As
- Stay abreast of proposed regulatory changes
- Periodically review examiner guidance
- Look for insights in how guidance and regulations have been applied to other recently examined institutions
- Participate in CRA committees organized by industry organizations or multi-bank CRA working groups

9. Conduct competitive reviews

- Review CRA performance evaluations of other banks, paying particular attention to similarly sized institutions
- Consider significance of the bank's loans, investments, and retail services compared to the number of other institutions in a market and the extent of their activities
- Evaluate lending performance against industry and demographic benchmarks and relative to overall deposit share / rank
- Use information found in performance evaluations as a guide to create benchmarks for community development lending and investing, for which there is not publicly available industry data

8. Remember the importance of the qualitative factors

- Enhance CRA story with examples of innovativeness, responsiveness, complexity, and leadership
- Qualitative initiatives may be small in number or dollar volume but can have significant in impact for meeting community needs
- Consideration is subjective and generally most valuable for assessment areas receiving full-scope reviews
- Qualitative initiatives can help elevate performance conclusions
- The way in which qualitative examples are communicated is very important

7. Ascertainment of community credit needs is still critically important

- Community feedback is an important part of the CRA exam - avoid being surprised by what community contacts reveal
- Form strong alliances with community partners, including:
 - partnering with local and national nonprofits, CDFIs, civic organizations, etc.
 - convening external advisory boards or councils
 - participating on boards and committees
 - working with municipal and state agencies focused on community development
- Read, Read, Read!
 - nonprofit websites, studies published by consumer protection organizations, position papers regarding CRA reform, etc. provide valuable sources of information regarding community development needs and issues

6. Establish a performance context

- Know each assessment area
 - identify unique demographic and economic factors
 - quantify the market potential and limitations
 - evaluate the competitive environment in each assessment area
 - know your organization's business strategies overall, and for individual markets
 - understand the relative importance of each geography
- Understanding the assessment area helps quantify market potential and prioritize resources

5. Establish CRA targets and performance benchmarks

- Utilize benchmarks to enable the establishment of realistic targets
- Develop realistic CRA targets in partnership with business units
- Regularly review performance with business units
- Adjust CRA targets, as warranted, to:
 - reflect changes in market dynamics
 - address performance weaknesses
 - consider changes in the organization

4. Regularly assess performance relative to local market conditions

- Conduct regular analysis to allow the early identification of problems and opportunities
- View the analysis as an action oriented tool - understand, document, and address gaps
 - Work with business units and local market personnel to understand and document reasons for performance weaknesses
 - Understand the dynamics between business strategies and CRA performance
 - Devise strategies to address performance gaps
- Be creative, and flexible, in your analytic approach

3. Consider and document CRA impact of business decisions

- Be prepared to explain your business strategy, and the impact of decisions on low- and moderate-income communities to the examiners, including:
 - the introduction, significant restructure, or exit of a business activity
 - branch actions which affect low- or moderate-income communities
 - changes in underwriting or lending criteria
 - staffing and/or organizational changes
 - responsiveness to specific community development needs
- Invite the participation of line of business partners in meetings with the regulatory exam team

2. Communicate regularly

- Make an effort to meet regularly with internal and external stakeholders who have an interest in the success of the bank's CRA program
 - Internally with line of business partners, senior management and board
 - sharing the performance context, benchmarks, and analysis can help achieve support throughout the organization
 - Externally with regulators, community groups, government officials around broad topics
 - helps build awareness of program parameters and success stories
 - can lead to potential opportunities and stimulate new ideas
- Provide periodic performance updates / self- assessments to examiners on a regular basis

1. Build your program on sustainable business practices

- May be difficult to maintain long-term support for non-economic product or program offerings
 - challenging to justify during business financial reviews
 - difficult for communities to accept when such offerings are discontinued
- Initiatives that are scaleable allow for benefit to a larger number of local communities
- Important to balance innovation and responsiveness with appetite for risk
- Sustainable business practices have a greater and longer-lasting impact