

Public Meeting Transcripts

Public Meeting Regarding J. P. Morgan Chase & Company, and Bank One Corporation

Held on Friday, April 23, 2004, at the Federal Reserve Bank of Chicago

Unedited transcript

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2

PUBLIC MEETING

3

J. P. MORGAN CHASE AND BANK ONE CORPORATION

4

CHICAGO, ILLINOIS

5

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STENOGRAPHIC REPORT OF PROCEEDINGS had in

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the above-entitled matter held on April 23, 2004,

8

at the Federal Reserve Bank, 230 South LaSalle

9

Street, Chicago, Illinois, MS. SANDRA BRAUNSTEIN,

10

presiding, commencing at 8:30 o'clock a.m.

11

PRESENT:

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MS. SANDRA BRAUNSTEIN, Director, Board of

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Governors of the Federal Reserve

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System

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MR. JAY BERNSTEIN, Bank Supervision

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Officer, Federal Reserve Bank of New

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York

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MR. WALTER McEWEN, Senior Counsel, Board

19 of Governors of the Federal Reserve

20 System

21 MS. ALICIA WILLIAMS, Vice President,

22 Federal Reserve Bank of Chicago

23 Reported By: Anna M. Morales, CSR, RMR

24 License No: 084-002854

1

1 MS. BRAUNSTEIN: Good morning, everybody.

2 We're going to get started. We have a tight

3 timetable today, so we're going to try to stick to

4 that. Good morning, everyone, and I'm pleased to

5 welcome you to Chicago and to this important public

08:31:04

6 meeting on the application by J. P. Morgan Chase to

7 acquire Bank One Corporation.

8 Let me first introduce myself. I'm

9 Sandra Braunstein, and I'm the Director of the

10 Division of Consumer and Community Affairs at the

08:31:18

11 Board of Governors of the Federal Reserve System in

12 Washington, D.C.

13 Our other panelists are to my left is

14 Alicia Williams, who's Vice President at the

08:31:34 15 Federal Reserve Bank of Chicago for Consumer and
16 Community Affairs. To my immediate right is
17 Walter McEwen, who is a senior legal counsel at the
18 Board of Governors in Washington, D.C.; and to his
19 right is Jay Bernstein, who is the Bank Supervision
20 Officer in Banking Applications and Analysis for
08:31:52 21 the Federal Reserve Bank of New York.

22 We are here today because J. P. Morgan
23 Chase and Company in New York has applied for
24 approval to acquire Bank One Corporation here in

2

08:32:24 1 Chicago, Illinois. When the Federal Reserve System
2 considers one of these applications, we look at a
3 number of factors under the Bank Holding Company
4 Act. These factors include financial issues,
5 managerial issues, competitive issues and the
6 convenience and needs of the communities affected.
7 In doing so, we particularly look at the record of
8 performance of the parties under the Community
9 Reinvestment Act. The CRA requires the Board to

08:32:44 10 take into account an institution's record of
11 meeting the credit needs of its entire community.
12 The purpose of this public meeting today
13 is to receive information regarding these factors.
14 We will be seeking to elicit this information and
15 to clarify factual issues related to the
08:33:00 16 application. We're very pleased that so many
17 witnesses have signed up to testify today. In
18 fact, we have, I think, a little over 85 groups
19 that will -- and individuals that will be
20 represented.

08:33:16 21 Let me make a few comments about what the
22 procedures will be; and, for those of you who are
23 here for the long haul for the entire day, some of
24 these things you're going to hear me repeat again

3

1 and again for each panel because I know we have a
2 lot of traffic flow, people coming in and out.

3 Basically this is called an informal
4 public meeting. Members of this panel may ask
5 those who are testifying about their testimony.

08:33:44

6 However, this is not a formal administrative
7 hearing, so we're not bound by rules regarding
8 evidence, cross-examinations and some of the formal
9 trappings of that kind of procedure.

10
08:34:00

 Because we have so many witnesses today,

11 we are really going to need to stick to the
12 timetable so that everyone who is here and has
13 signed up has a chance to offer their testimony.
14 And so we're going to ask the witnesses to please
15 be mindful of the needs of other panelists and to

08:34:14

16 help us stay on schedule. And we're going to ask
17 the witnesses to please keep within their allotted
18 time.

19
20
08:34:30

 We have a time-keeping system, and each
21 panelist -- by the way, for most of the panels the
22 way it's done is each panelist will have five
23 minutes to present their testimony. After three
24 minutes, we have timekeepers over here -- raise
 your hands, Sherry and Helen -- they're our

1 timekeepers, and we have several systems here. We
2 have the systems and back-up systems and fail-safe
3 systems for timing.

08:34:54

4 For one thing, after the first three
5 minutes of your testimony, a yellow light will
6 flash in that little box, and then a red light will
7 flash, and I understand a sound -- there will be a
8 sound when the five minutes are up. In addition,
9 we also have as a back-up system signs which tell
10 you when you have two minutes left and when you are

08:35:08

11 finished. So we would ask people to please not
12 just ignore the timekeepers and to pay attention to
13 them and that will be helpful.

08:35:24

14 Also if anyone has a copy with them of
15 their statement, it would be helpful if you could
16 leave a copy of that with our court reporter who is
17 in the center of the room. And with regards to
18 that, I just want to let people know, we are being
19 taped -- we're being taped in terms of sound
20 system. We are not being videotaped. You see, the

08:35:42

21 cameras are on just to have the big screens to make

22 it easier for the people in the back to see the
23 panelists, but it is not being videotaped. We're
24 being audiotaped only.

5

08:36:10
1 The last thing, one more comment, is that,
2 witnesses, if you can't finish your testimony in
3 five minutes, that's okay. Your time will be up
4 for speaking, but you may submit a written
5 supplement to your oral testimony, but you must do
6 this by next Friday, April 30th, and then the
7 record will be closed.

08:36:24
8 Written supplements should be directed to
9 Jennifer Johnson, Secretary of the Board of
10 Governors of the Federal Reserve Bank in
11 Washington, D.C. They must be received by 5 p.m.,
12 5 p.m. Eastern Standard Time on April 30th. You
13 may also fax your submissions to 202-452-3462.

08:36:46
14 If you haven't turned in copies of your
15 written testimony or if you have other written
16 statements to put in the record, please leave them,
17 as I said, with the court reporter or with the

18 Federal Reserve staff that are at the registration
19 desk.

08:36:58

20 We are doing a transcript for this
21 meeting. The hard copy of the transcript for the
22 meeting will be available by April 30th through the
23 Federal Reserve Bank of Chicago and through the
24 Board of Governors. In addition, the official

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1 transcript will be up on the Web site, on the
2 Board's public Web site at
3 [www.FederalReserve.gov/events/public meetings](http://www.FederalReserve.gov/events/public%20meetings).

08:37:26

4 And with that we're going to begin the
5 proceedings. I would ask that everyone who is
6 speaking to please state your name and organization
7 at the beginning of your remarks for the record.
8 And also with our first panel, we do have a little
9 bit difference in time. You have one-half hour.

08:37:42

10 You won't be signaled until the end of your half
11 hour, till the last five minutes of your half hour.
12 With that, Mr. Harrison, would you like to

13 begin?

14 MR. HARRISON: Thank you, Sandra.

15 Good morning. I'm Bill Harrison, Chairman
08:37:52

16 and CEO of J. P. Morgan Chase. It's my pleasure to

17 address you, the distinguished members of the

18 panel, today. I'm here with Jamie Dimon, Chairman

19 and CEO of Bank One Corporation; Mark Willis,

20 Executive Vice President, head of J. P. Morgan
08:38:06

21 Chase's Community Development Group; and Byron

22 Reed, First Vice President and Managing Director of

23 Bank One's Community Investment Group.

24 First, I want to thank the Federal Reserve

7

1 for convening this public meeting, giving us the

2 opportunity to discuss the proposed merger of

3 J. P. Morgan Chase and Bank One. I would like to

4 explain why we believe our merger will benefit our

5 customers, our employees, our shareholders and the
08:38:32

6 important communities in which we do business and

7 in which we live.

8 In January, J. P. Morgan Chase and

08:38:46 9 Bank One announced an agreement to merge in a
10 strategic business combination which based on total
11 assets will establish the second largest banking
12 franchise in the United States. We'll have assets
13 of \$1.1 trillion; a strong capital base; over 2300
14 branches in 17 states and employees in 50 countries
08:39:04 15 around the world. We will have top-tier positions
16 in retail banking and lending, which includes small
17 business and home finance, as well as top-tier
18 positions in credit cards; investment banking;
19 asset management; private banking; treasury and
08:39:20 20 security services; middle-market banking and
21 private equity.

22 With balanced earnings contributions from
23 retail and wholesale banking, we believe we will be
24 well positioned to achieve strong and long-term

8

1 stable financial performance and to increase
2 shareholder value. We'll have a more diverse
3 business mix, greater scale, and enhanced

4 efficiencies and competitiveness.

08:39:44 5 I will be Chairman and CEO; Jamie Dimon,
6 Bank One's current Chairman and CEO, will be the
7 President and Chief Operating Officer. Jamie will
8 succeed me as CEO in 2006 and I will continue as
9 Chairman.

08:39:56 10 Our corporate headquarters will be in
11 New York, and both our middle market and retail
12 businesses will be headquartered here in Chicago.

13 You probably also know that J. P. Morgan
14 Chase has had just a small presence in this great
15 City of Chicago, primarily serving government
08:40:12 16 entities and large corporations, and that
17 Chase Mortgage has been growing its business of
18 helping families achieve the American dream of home
19 ownership in this area. That's why we're so
08:40:28 20 excited that the merger joins us with Chicago's
21 biggest, most convenient bank, a bank that's been
22 here for more than 140 years.

23 We believe this merger will be a great
24 benefit to our communities. Making banking

1 services widely available and continuing to help
2 develop affordable housing and revitalize
3 neighborhoods are integral to our business goals
4 and corporate values. They always have been.

08:40:54 5 J. P. Morgan Chase has always been both a

6 major home mortgage lender nationwide and a major
7 small business lender throughout our local
8 communities providing innovative products to meet
9 the credit needs of first-time homeowners and small
10 businesses.

08:41:08

11 We've also distinguished ourselves in the
12 community development field as a lead lender for
13 large, complex transitions resulting in affordable
14 housing for low- and moderate-income households and
15 for economic development transactions that create

08:41:20

16 new jobs and help revitalize communities.

17 In fact, I am very proud to note that
18 J. P. Morgan Chase Bank again earned the highest
19 rating, outstanding, on its most recent CRA
20 performance examination from the Federal Reserve

08:41:38

21 Bank of New York. This is the seventh consecutive
22 time spanning 14 years that our lead bank has
23 earned the highest rating in the CRA category. And
24 all three of our subsidiary banks also have current

10

1 outstanding CRA ratings.

2 We had determined that our new firm will
3 maintain the highest possible CRA ratings.

4 Since the merger was announced, community
5 investment offices of both firms have already

08:42:06

6 reached out to more than 700 of our community
7 partners across the country seeking innovative ways
8 for banks to work with strategic local and national
9 partners. That's because the local leaders know
10 the needs of their communities. Based on responses

08:42:20

11 from the community groups, we are creating new
12 initiatives and redoubling our efforts on existing
13 ones.

14 On that note, I am proud of our
15 unprecedented nationwide \$800 billion community

08:42:30

16 investment commitment that will span an entire
17 decade. I'm especially proud because this is the
18 biggest such commitment ever made by any financial
19 services company.

08:42:44 20 This pledge which includes mortgages,

21 small business lending and community development
22 lending reaffirms our national leadership position
23 in community and economic development. It also
24 underscores our efforts to support the credit and

11

1 capital needs of underserved markets, efforts that
2 will involve much of our new firm ranging from our
3 market-leading home finance business to our
4 municipal finance team.

08:43:10 5 Our commitment includes \$675 billion in

6 mortgages nationwide for both minority and lower
7 income communities and borrowers and an expansion
8 of credit and mortgage counseling programs;
9 \$90 billion in loans and investments to assist

08:43:26 10 small business and community-based, not-for-profit

11 organizations; \$35 million of the 800 in loans and

12 investments for affordable housing and commercial
13 and economic development in low- and
14 moderate-income communities; and a new financial
15 education partnership office that will sponsor

08:43:42

16 financial education and social entrepreneurial
17 programs; work with mortgage counseling groups;
18 develop new anti-predatory lending programs; work
19 with our branches to develop bank programs designed
20 to serve recent immigrants; and teach credit

08:43:58

21 fundamentals to not-for-profit personnel. This
22 \$800 billion pledge reaffirms our commitment to
23 outstanding CRA ratings and strong, fair lending
24 programs.

12

1 But we can't do this alone. We are
2 relying on many of the groups who are in this room
3 today, our partners who are here in support of us
4 and those who have come to raise reasonable
5 concerns.

08:44:26

6 Our new firm will strive to reach all

7 segments of our markets. We value the leadership
8 and innovation of our community development group,
9 confident that they, with the help of community
10 partners, will continue to deliver outstanding
11 results.

08:44:38

12 Before I hand the microphone over to
13 Jamie, I want to thank you again for this
14 opportunity to speak at today's meeting; and though
15 Jamie and I will only be able to stay for the first

08:44:50

16 panel's presentations, Mark Willis, who will head
17 the combined firms' Community Development Group and
18 Byron Reed from Bank One will be here for the
19 entire session and will address any follow-up
20 questions you may have regarding CRA.

08:45:06

21 Jamie.

22 MR. DIMON: Thank you very much. Good morning,
23 everyone. I'm Jamie Dimon, Chairman and Chief
24 Executive Officer of Bank One. I have been in this

13

1 role for four years, after joining the company in
2 March of 2000 and moving to Chicago with my family

3 at that time.

08:45:24
4 After the merger, as Bill said, I will
5 serve as President and Chief Operating Officer of
6 the combined company and become CEO in 2006. I,
7 too, would like to talk about the benefits of our
8 proposed merger.

08:45:36
9 I understand the important role Bank One
10 and its predecessors have played in their
11 communities across the country for well over
12 100 years and, in fact, more than 140 years here in
13 Chicago. Like all major banks in the country
14 today, Bank One has grown through acquisitions and
15 mergers, gaining scale, strength and breadth to
08:45:48
16 serve our customers, our employees, our
17 shareholders and our communities in even better
18 ways.

08:45:58
19 Over the last four years, we have faced
20 some very tough challenges at Bank One; and through
21 diligence, discipline and hard work, our employees
22 have created a strong, healthy company that has
23 begun to expand again. In 2003, we opened 58 new

24 branches for a total of 1,841 in 14 states. We've

14

1 already had 14 more this year as we continue to

2 expand. We've also added 175 ATMs so far this

3 year, and we are in the process of replacing every

4 one of the 4,300 ATMs in the nation. We're

5 investing millions more in refurbishing our

08:46:24

6 branches and we've added more than 1,000 additional

7 salespeople to help customers with everything from

8 checking accounts and mortgages to investments and

9 college savings plans. As we open additional

10 branches in 2004, we will continue to add

08:46:36

11 salespeople to help our customers.

12 The proposed merger with J. P. Morgan

13 Chase and Company will begin another exciting

14 chapter in our company's history. We know the

15 consolidation will continue in the banking

08:46:46

16 industry, and we believe this combined, stronger

17 company will have more control over our future than

18 we would having grown separately. We now have the

19 unique opportunity to create one of the world's

08:46:58 20 truly great global financial institutions.

21 We believe that each business in the
22 combined enterprise will be strengthened by the
23 efficiencies that come with scale and that the
24 businesses that complement each other, providing

15

1 substantial competitive advantage. For current and
2 prospective customers, the combined company will
3 provide access to a broader offering of products
4 and services more competitively priced.

08:47:18 5 For each of our communities, a vibrant,

6 healthy company is the prerequisite for responsible
7 corporate citizenship, a value deeply held by both
8 companies. For employees, a stronger company
9 ultimately results in expanded opportunities for
10 career growth and development, even though in the

08:47:30

11 beginning there will be, unfortunately, some
12 painful staff reductions.

13 We will treat our employees fairly and
14 respectfully as we plan to integrate the companies.

08:47:40 15 Soon after the merger announcement, we instituted a

16 hiring freeze at both companies so we can take

17 advantage of attrition and can move displaced

18 employees into the new positions. We also will

19 have a severance program that gives employees

20 advanced notice as well as a generous severance
08:47:52

21 pay.

22 While the combined company will be

23 headquartered in New York, the merger provides that

24 the retail and middle-market business will be

16

1 headquartered here in Chicago. Those businesses,

2 which serve everyone from consumers and small

3 businesses to companies with annual revenues of

4 \$500 million or more, are expected to generate

5 nearly one-third of the company's combined
08:48:10

6 earnings. To put that in context, in 2003, those

7 businesses generated pro forma \$6 billion of

8 pre-tax earnings.

9 This merger also will afford the combined

10 company a more diversified earnings stream, a

08:48:20

11 larger capital base, stronger capital generation
12 capabilities, and increased capacity to invest in
13 our businesses. All of these we believe should
14 ultimately lead to a lower cost of capital and the
15 ability to better withstand difficult times in the

08:48:32

16 economic cycle.

17 The combined strength of our retail
18 business will be crucial serving our communities
19 because it includes not only the branch and ATM
20 network but also mortgage lending and small

08:48:42

21 business banking. The company, new company, will
22 have 2,300 branches in 17 states, and we plan to
23 add more than 100 branches annually for at least
24 the next three years. We will open them in low-

17

1 and moderate-income neighborhoods as well as the
2 fast-growing suburban areas. In fact, in Chicago
3 alone, we'll open 12 branches in LMI areas by the
4 end of next year.

5 Equally important, J. P. Morgan Chase's

08:49:02

6 large mortgage business will be good news for
7 consumers in Chicago and across Bank One's
8 14 footprint states. While Bank One has provided
9 excellent banking services, the merger will provide
10 our customers with a wider range of mortgage

08:49:16

11 products, helping them to achieve the American
12 dream of home ownership.

13 Small business owners, too, will benefit
14 from this merger. Small businesses need banking
15 services, especially credit, to grow, and we will

08:49:26

16 offer the best products and services of both
17 companies to help our small business companies do
18 just that.

19 Mortgage lending and small business
20 lending are two of the most important factors in

08:49:34

21 evaluating a bank's Community Reinvestment Act
22 performance. Bank One's lending has helped it earn
23 outstanding and satisfactory ratings in its markets
24 across the country.

1 We are proud that our merger partner's
2 lead bank, headquartered in New York, has earned an
3 outstanding CRA rating, the highest possible, for
4 its mortgage, small business and community
5 development lending and community development

08:49:54

6 investments and services. In fact, it has received
7 outstanding CRA ratings for the last seven
8 consecutive periods covering more than 14 years.

9 It is even more important to know that the combined
10 company will strive to maintain that outstanding

08:50:04

11 record.

12 Bank One has been a terrific civic leader
13 and major contributor in our markets across the
14 country, contributing more than \$40 million
15 annually to economic empowerment, youth education,

08:50:14

16 and arts and culture. In Chicago alone, we have
17 contributed more than \$65 million over the last
18 decade. In Chicago and across our market,

19 Bank One's senior executive officers and other

20 employees serve on the boards of civic, community

08:50:26

21 development, educational and cultural institutions

22 across our markets. And our employees volunteer in

23 their neighborhoods, in religious organizations and
24 in community-wide efforts throughout the country.

19

1 We will continue that kind of support
2 after the companies merge, and we can link our
3 community partners and their cutting-edge ideas
4 with those of J. P. Morgan Chase's markets.

5 On the night the merger was announced, I
08:50:48

6 and Bill reaffirmed our commitment to Chicago's
7 community leaders. And last week, we went even
8 further when Bill Harrison announced our
9 \$800 billion pledge for mortgages, small business
10 loans, and community investments and loans over the

08:51:00

11 next ten years. That unprecedented commitment will
12 be delivered one family, one small business and one
13 apartment building at a time across America.

14 There is no doubt that the combined
15 J. P. Morgan Chase will be a national and

08:51:12

16 international leader in banking. And there should
17 be no doubt that the combined J. P. Morgan Chase

18 will also be a civic leader in Chicago and every
19 other market it serves.

08:51:22 20 Now let me turn it over to my colleague,

21 Byron Reed, Managing Director of Bank One's
22 Community Investment Group, and Byron will provide
23 more detail of how Bank One has been a leader in
24 our communities across the country and especially

20

1 in Chicago.

08:51:40 2 MR. REED: Thank you, Jamie. Good morning. I
3 am Byron Reed, Managing Director of Bank One's
4 Community Investment Management Group. I
5 appreciate the chance to speak about Bank One's

6 proud tradition of how we serve our communities and
7 how this merger can help us do even more.

08:51:56 8 Bigger, better, stronger. You have heard
9 it from Bill Harrison and Jamie Dimon. Certainly,
10 it's exciting for our customers, employees and

11 shareholders; but, for me, the most exciting aspect
12 of the merger is what a bigger, stronger bank can
13 do for our communities.

14 Sometimes community development is
15 headline news, attracting local dignitaries and the
08:52:10
16 media. For example, On North Halsted Street in
17 Chicago, Bank One's construction loan helped
18 replace the Cabrini-Green public housing units with
19 mixed-income townhomes at the North Town Village,
20 creating the prototype for the country.

08:52:24

21 In West Dallas, Bank One helped welcome
22 the first family in Casa Rio, the first affordable
23 single-family development in that part of town.

24 And in Denver, Bank One helped to create a

21

1 170-acre master plan community, Belle Creek, with
2 over 900 units of affordable and market rate
3 housing, a charter school, a community and retail
4 commercial space.

5 In Tulsa, Bank One's investment in
08:52:50

6 historical credits and our construction funding
7 helped remake the Tulsa Tribune Building into
8 housing while the city worked to redevelop and

9 revitalize the Brady Arts District.

08:53:02 10 Most often, however, community development

11 takes place quietly with a biggest impact coming in

12 small, steady increments. Knowing that small

13 businesses are a mainstay of our U.S. economy,

14 Bank One has made the SBA Community Express program

08:53:18 15 a core component of its outreach to small

16 businesses. In 2003 alone, Bank One closed nearly

17 200 Community Express loans totaling almost

18 \$22 million, including 16 loans in the Chicago area

19 totaling \$1.5 million.

08:53:34 20 Since 2000, Bank One has fueled thousands

21 of affordable multi-family units for low-income

22 families in communities across the nation by

23 investing more than \$1.9 billion in low-income tax

24 credit projects either directly or through funds.

22

1 While a relatively small player in overall

2 mortgage origination, Bank One has focused on some

3 areas of greatest need because it recognizes the

4 vital role home ownership plays in low- and

08:54:00 5 moderate-income families and their neighborhoods.

6 Let me share a few examples.

7 Bank One has already made loans of nearly

8 \$5 billion from a five-year \$12.5 billion

9 commitment with Fannie Mae for single-family and

10 multi-family homes across Bank One footprint
08:54:14

11 states. We announced that plan here at Chicago 17

12 months ago.

13 Bank One was the first large national bank

14 to offer a Section 8 mortgage product for very

15 low-income families moving from welfare and public
08:54:26

16 assistance to self-sufficiency home ownership.

17 Bank One's HUD 184 financing, including

18 Apache Dawn project in Arizona, has provided over

19 300 families safe, decent and affordable housing on

20 Native American tribal lands.
08:54:42

21 As Jamie noted, we can do much when we

22 pair J. P. Morgan Chase's extensive mortgage

23 origination business and Bank One's 1800-plus

24 branch network. And we plan to add at least

1 100 branches a year for the next three years in all
2 communities, including low- and moderate-income
3 neighborhoods. In Chicago, that means 30 more
4 branches this year, including 12 in low- and
5 moderate-income neighborhoods by the end of 2005.

08:55:06

6 Bank One also has established itself as a
7 leader in financial education and in helping
8 families take advantage of financial opportunities.
9 There are many examples.

10 In Chicago, Bank One just made a

08:55:18

11 \$1 million five-year commitment to LISC to create
12 comprehensive financial education centers across
13 the city. Also in Chicago, Bank One contributed
14 \$100,000 each year from 1999 through 2003 to
15 support the National Housing Service's education,

08:55:34

16 community building and neighborhood lending and
17 real estate development efforts.

18 Bank One has underwritten The Money Farm,
19 a public television program in which children teach
20 children about money, savings and other aspects of

08:55:46

21 banking. It started at WTTW-Channel 11 here in
22 Chicago and it airs in multiple communities across
23 the United States.

24 Bank One employees, as well as Bank One

24

1 grants, help families in a number of cities,
2 including Dallas, Phoenix and other cities, to take
3 advantage of the complicated Earned Income Tax
4 Credit, putting real dollars in their pockets. In
5 Chicago, Bank One employees volunteer through the
08:56:12
6 Tax Counseling Project, a ten-year-old program that
7 just surpassed the \$100 million mark in federal
8 funds to Illinois families.

9 In Illinois, Indiana, Texas, Wisconsin,
10 Arizona, Bank One has sponsored financial literacy
08:56:28
11 "train the trainer" programs for directors and
12 employees of multiple nonprofits.

13 In Arizona, a Bank One grant helped launch
14 Arizona Saves, a savings and wealth-building
15 program focused on low-income families.
08:56:42

16 At Bank One, we are proud of what we have

17 done with our partners to serve our communities.
18 And we are very excited about the opportunity that
19 this merger brings to our communities. I know my
20 future colleague, Mark Willis, head of J. P. Morgan

08:56:54

21 Chase's Community Development, shares this
22 excitement with me. Thank you.

23 MR. WILLIS: Thank you, Byron -- that was
24 great -- for sharing your examples of the

25

1 responsive and meaningful work that Bank One has
2 been doing throughout its footprint.

3 Good morning. My name is Mark Willis. I
4 manage J. P. Morgan Chase's Community Development
5 Group and I have been asked to head it after the

08:57:22

6 merger. Thank you for giving us the opportunity to
7 discuss our unique and innovative community
8 development program, outline our \$800 billion
9 public commitment, and talk a little bit about

08:57:36

10 creating a compact with our communities, an
11 initiative driven by the J. P. Morgan Chase

12 Community Advisory Board.

13 We are proud that our Community

14 Development Group is a leader in creating new

15 approaches to financing community development

08:57:46

16 projects. As J. P. Morgan Chase has grown, our

17 Community Development Group has designed new

18 capabilities to deliver a far more sophisticated

19 array of products and services. We are also

20 retaining the J. P. Morgan Chase Community

08:58:00

21 Development Group model that allows us to bring

22 together, in a single organization, community

23 development experts from both banks.

24 We have also helped incubate the

26

1 affordable mortgage business by providing mortgages

2 with flexible underwriting criteria, and we have

3 seen this business grow and mature.

4 In the early 1990s, we held tens of

5 millions of dollars in such mortgages in our

08:58:22

6 portfolio because they did not conform to secondary

7 market credit criteria. All of these mortgages

8 have developed into a seasoned portfolio. The
9 secondary market has learned from our experience
10 and created some new affordable products that all
08:58:38
11 lenders could provide. It is a great success when
12 we can mainstream a product because it has become
13 both ubiquitous and profitable.

14 Our Community Development Group's
15 entrepreneurial spirit and willingness to focus on
08:58:50
16 our customers' unique banking needs has
17 distinguished J. P. Morgan Chase as a cutting-edge
18 leader for innovation. While we recently announced
19 a ten-year \$800 billion program, we will continue
20 to celebrate those small, tangible, day-to-day
08:59:04
21 successes that make such a difference for our
22 customers and community partners.

23 Let me now lay out the ten-year plan in a
24 little more detail. The components of the plan are

27

1 a set of key performance measurements against which
2 the public can assess our annual results. Bill has

3 talked about the top-line members that comprise the
4 plan, and I would like to touch on the major
5 components again and then discuss some new
6 initiatives.

08:59:28

7 The vast majority of this ten-year plan,
8 \$675 billion, is comprised of mortgages which are
9 so vitally important to cities and neighborhoods in
10 every market across the country. These loans will

08:59:40

11 be made to households with incomes at or below the
12 median household income, minority borrowers and on
13 properties located in predominantly minority
14 communities and in LMI communities.

15 Second, we will make more than \$90 billion
16 in loans to small businesses and not-for-profit
17 organizations in the 17 markets served by the
18 combined banks' branches. Finally, we anticipate
19 \$35 billion in community development loans and
20 investments.

08:59:54

09:00:08

21 Let me now talk about the initiatives that
22 grew from our discussions with literally hundreds
23 of community leaders and advocates, including some
24 who oppose the merger.

1 We are creating a new Home Ownership
2 Preservation Office at Chase Home Finance that will
3 work with community groups helping victims of fraud
4 or other abusive mortgage practices and
5 restructure, when possible, their mortgages to help
09:00:30
6 them keep their homes. We will work with the
7 mortgage industry and HUD on FHA foreclosure policy
8 and work with community groups to sell or donate
9 certain REO properties to help minimize any
10 negative impact on their neighborhoods.

09:00:44

11 We're also creating a national community
12 mortgage-lending unit to serve the home-buying
13 needs of low- and moderate-income consumers looking
14 to buy their first homes in inner cities and other
15 historically underserved communities. In large
09:00:56
16 markets, we will use salaried loan officers who
17 will have both lending goals and outreach goals.
18 In other markets, we will have incentives for
19 commissioned loans officers to serve the needs of

20 mortgage counseling agencies and their clients.
09:01:10

21 We will provide \$1 billion in loans and
22 investments to CDFIs, Community Development and
23 Financial Institutions, across our markets as part
24 of our \$800 billion plan.

29

1 We will create a new Financial Education
2 Partnership Office to focus on the basic financial
3 education needs of consumers so that they can make
4 more informed choices about borrowing, investing,
5 saving and selecting the right banking account for
09:01:34

6 their needs. We already have developed a basic
7 banking curriculum which we obviously will be
8 expanding.

9 We will open new business resource centers
10 and expand the SBA Community Express program Byron
09:01:44

11 just talked about across all our retail banking
12 franchises.

13 Also we have heard community groups'
14 concerns about our consumer and small business
15 products and services, and we are looking closely

09:01:56

16 at ways we might help address those concerns.

17 Let me now turn to our Community Advisory

18 Board which is comprised of 46 community leaders.

19 At our last two meetings, we spent a great deal of

20 time discussing whether to announce a ten-year

09:02:10

21 plan. The Board voiced its confidence in our

22 commitment to community development and to

23 outstanding CRA performance. They did not feel

24 that a large dollar goal would add incremental

30

1 value. However, they wanted us to expand the

2 debate beyond dollars to values in impact. Their

3 idea was to create a compact with our communities.

4 A Board subcommittee has started to

5 outline principles to guide the compact, including

09:02:38

6 the following:

7 Partner with the community; listen to all

8 perspectives; execute locally; strive for economic

9 sustainability; share knowledge; invest in

10 innovation; go beyond regulatory requirements; lead

09:02:56

11 with best practices in fair and responsible
12 lending; and deliver the full resources of this
13 great, new firm.

14 We value our Community Advisory Board
15 because the members keep us focused on the really
09:03:10

16 important issues. We also learn from the
17 perspectives and experiences of members from around
18 the country as they, too, learn from each other.

19 We look forward to expanding the Board to include
20 community leaders from throughout the Bank One
09:03:22

21 footprint.

22 The merger will have great benefits for
23 the communities we serve. We are very excited
24 about the challenges, the opportunities and the

31

1 responsibility. Thank you for your time.

2 MS. BRAUNSTEIN: Thank you very much. If I
3 may, I just have one question for the panel.

4 J. P. Morgan Chase is primarily known as
5 an urban bank, and I was wondering if you could
09:03:46

6 just take a couple minutes and address what your
7 plans are for serving some of the needs of the
8 rural areas especially that you will be getting
9 with the Bank One footprint out in the Midwest?

10 MR. HARRISON: We are primarily in the largest
09:04:04

11 cities as a retail branch manager, but we do
12 business across the country and so it's not a big
13 leap of knowledge or expertise. Bank One would
14 have more than us; but we think the combination, if
15 we do it right, will add a lot of value.

09:04:22

16 The key issue here for us -- and it's
17 beyond just doing a great job in the communities --
18 is also doing a great job in middle-market lending
19 and private banking in the local communities. And
20 we are a great believer of making sure the local

09:04:38

21 communities have enough authority and power to go
22 execute it off of a basic architecture that's at
23 the top of the house. And we look at Chicago, for
24 example, as having the biggest financial presence

32

1 of any bank in Chicago with great global

2 capabilities. And if we execute that well, I think
3 we can add tremendous value whether it's community
4 activities or anything else that we're doing, and
5 that's our goal.

09:05:04

6 MS. BRAUNSTEIN: Okay.

7 MR. HARRISON: Is there anything else?

8 MS. BRAUNSTEIN: Okay. Thank you very much for
9 your time. Could we have the next panel come
10 forward.

09:05:16

11 MR. HARRISON: Thank you.

12 MS. BRAUNSTEIN: Good morning, gentlemen. As
13 with the previous panel, I am told that this panel
14 also has one-half hour and you'll be signaled at
15 the end of that. Please be mindful of your fellow

09:06:26

16 speakers in terms of the time you take
17 individually; and, with that, we'll get started.

18 HON. QUINN: My name is Pat Quinn. I am the
19 Lieutenant Governor of Illinois. I was elected by
20 the voters in 2002. Prior to that, I was elected

09:06:44

21 State Treasurer of Illinois in 1990, served as
22 Illinois State Treasurer from 1991 to 1995. I

23 dealt with probably 4 or 500 banks in Illinois,
24 large, middle-sized and small. Prior to that, I

33

1 was elected Commissioner of the Cook County Board
2 of Property Tax Appeals.

3 On behalf of the people of Illinois, I
4 think it's important that we, in considering this
5 merger, realize that we're today across the street

09:07:18

6 from one of the biggest bank failures in the
7 history of the United States.

8 Continental Bank was once deemed one of
9 the best banks in the country. Unfortunately, they
10 made imprudent loans, and they were so imprudent

09:07:34

11 that the bank collapsed, and they were so big that
12 the regulators decided that the only way to resolve
13 the problems of credit access and regulation was to
14 have the taxpayers bail out Continental Bank.

15 That history, I think, should be on the

09:07:58

16 minds of regulators today that in putting together
17 these megamergers, first -- I think the first issue
18 should be whether or not the taxpayers and the

19 public is protected from failure of these
20 institutions. I don't want to see Illinois
09:08:16
21 taxpayers or American taxpayers some time down a
22 few years from now or ten years from now or
23 whenever be forced to have to pay millions and
24 millions of taxpayer dollars to bail out an

34

1 ill-conceived merger.

2 I think the American economic system works
3 best where there's competition; and when you have
4 too many entities becoming too large and
5 consolidating, oftentimes the customer, the
09:08:44
6 consumer, is the one who suffers in the
7 marketplace.

8 As State Treasurer, I put together
9 literally hundreds of access-to-credit initiatives.
10 We called them link deposits. I would say the
09:08:58
11 predecessor bank of Bank One, then known as First
12 National Bank of Chicago, was a reluctant
13 participant in our programs of access to credit

14 that I was involved in. And, indeed, when they
15 merged with Bank One from Columbus, Ohio, it got
09:09:14
16 even worse. It was difficult for the Treasurer of
17 Illinois, one of the largest customers of these
18 large banks, to communicate with the bank.

19 So some of the proposals we heard earlier
20 this morning sound good when you say them fast, but
09:09:32
21 I can tell you from real experience, we used to
22 refer to First National Bank of Chicago, then
23 Bank One, as having big bank disease; the syndrome
24 of not listening enough to their customers,

35

1 including the State of Illinois that not only put
2 deposits in the bank but also had numerous
3 processing contracts with the bank, very difficult
4 to speak to them.

5 Now, at that time, the bank management was
09:10:00
6 located here in the City of Chicago, State of
7 Illinois. Under this proposal, major decisions
8 about the merged bank, a trillion-dollar bank, will
9 be made in New York City. And I consider that an

10 ominous development for the people of our state.
09:10:16

11 We're particularly concerned also about
12 the jobs of the people who work at Bank One, one of
13 the largest employers in Chicago and the State of
14 Illinois. According to some of the news reports,
15 as many as 10,000 people are going to lose their
09:10:28

16 jobs. The record is that J. P. Morgan Chase is an
17 aggressive outsourcer of jobs, American jobs to
18 other parts of the world, and we do not want to see
19 hard-working Illinois citizens who take their
20 deposits and put them in Bank One or J. P. Morgan
09:10:48

21 Bank One Chase, whatever it's called, end up seeing
22 their neighbors losing their jobs as the bank
23 develops call centers in some foreign part of this
24 world.

36

1 I think it's important when a depositor
2 puts a deposit in the bank that they have the kind
3 of personal service, neighborhood service,
4 eye-to-eye service that we've become accustomed to

09:11:18 5 over the long history of customer banking
6 relationships; but in recent years, it's a much
7 more distant relationship. And if it means
8 Illinois citizens losing their jobs to outsourcing
9 because of this merger, that's not good for our
10 state or for the public interest or I don't think

09:11:34 11 it's good for our country. We have to have a
12 middle class in order to have a growing economy,
13 and this development could be very bad for
14 middle-class jobs in our state.

09:11:46 15 Now dealing with a very important issue
16 which the previous speakers talked about is access
17 to credit. I think the word credit -- I took Latin
18 in high school. It means "to believe" in Latin,
19 and we need to believe in the pledges made by the
20 proposed merger.

09:12:04 21 But one thing that leads to skepticism is
22 we have in Illinois more payday loan stores than we
23 have McDonald's restaurants. Now this development
24 has occurred in recent years. What has the biggest

1 bank of Illinois, Bank One, done about that? Not
2 enough. That's for sure. They have stood there by
3 the side of the road as payday lenders multiply
4 like topsy all over the place.

09:12:30 5 I was at Great Lakes Naval Air Base last

6 Friday at a funeral of a soldier, and I noticed
7 driving there all these payday loan stores outside
8 the base gates. And they're all over our state. I
9 think there's 8 or 900. And these are working

09:12:46 10 people who oftentimes can't get in the door of a

11 bank to get the loans that they need in order to
12 live from paycheck to paycheck.

13 And we find that the Bank One and
14 J. P. Morgan Chase may be involved in financing the
15 payday lenders instead of being on the front line

09:13:02 16 making the consumer loans to these working people

17 who today are paying very, very high usurious
18 interest rates which aren't fair. They don't help
19 access to credit. They don't recycle money through

09:13:18 20 the neighborhood. They're predatory. They're the

21 kind of loans that make -- the banker should be

22 ashamed of themselves if they watch a market
23 developing out there and they're willing to consign
24 a lot of working people to this payday loan

38

1 industry.

2 It seems to me that if this has occurred
3 in recent years, how is the merger going to help
4 remedy the problem of access to credit for people
5 with respect to payday lending? Nothing has been

09:13:44

6 said about that. That's a very disturbing
7 development.

8 In closing, one thing that is of concern I
9 think to me and to every single American is a
10 recent book, Power Failure, The Inside Story of the

09:13:58

11 Collapse of Enron. It indicates that J. P. Morgan
12 Chase was a tax and financial advisor for Enron in
13 many of their questionable transactions. What is
14 this all about? Are we going to see this continue
15 where a major megabank is consulting with a

09:14:14

16 corporation on very questionable deals that end up

17 causing the collapse of a major firm, thousands of
18 people losing their jobs, and perhaps the bank goes
19 belly up.

09:14:30 20 So I think before rushing into this, we've

21 got to hear I think a lot more information from the
22 financial institutions involved. We would like to
23 have a quarterly report from them on exactly what
24 they're doing with respect to outsourcing of jobs.

39

1 We would like to hear pledges that they're not
2 going to get involved in these questionable
3 corporate schemes. We would like to have a payday
4 loan alternative in Illinois so working people,
5 when they need a loan, don't have to go to a payday
09:14:56

6 loan store and pay 520 percent interest, or
7 military person goes outside the gate of their base
8 and ends up getting fleeced by the local payday
9 loan store.

09:15:10 10 Let's have a Bank One, J. P. Morgan Chase

11 initiative to help people who are helping defend
12 our country. Thank you very much.

13 ALDERMAN FLORES: My name is Manuel Flores.

14 I'm an alderman for the 1st Ward in the City of

15 Chicago. I want to thank the Federal Reserve Bank
09:15:28

16 and the members of the panel for your time and

17 preparation for this hearing.

18 Today as we all know, we'll be hearing --

19 we've heard some testimony already considering the

20 proposed merger of J. P. Morgan Chase and Bank One.
09:15:42

21 Given the enormous impact that a merger of this

22 magnitude would have, I am pleased that a public

23 review process, such as this one, has been made

24 available so that we all may have an opportunity to

40

1 discern the possible effects of this merger as I

2 believe all members, all constituents of our

3 communities deserve.

4 On February 11, 2004, the City Council of

5 Chicago passed a resolution urging the Federal
09:16:10

6 Reserve Bank to proceed with caution in review of

7 this merger application. The resolution also

8 called for the City of Chicago's Corporation
9 Counsel to attend and monitor this hearing and to
10 report to the City Council's Committee on Finance
09:16:24
11 the process and the outcome of the public hearing.
12 We are pleased that this proceeding was scheduled.
13 Public scrutiny through a public hearing
14 process is necessary to address concerns of job
15 loss, outsourcing, predatory lending, foreclosure
09:16:38
16 practices, and also just to in general explain to
17 the public how this type of merger is going to
18 impact them. The most local of issues when you're
19 dealing with availability and access to credit, how
20 is it going to impact their service, how is it
09:16:54
21 going to be -- how is it going to change their
22 lives. I mean, are we going to be losing banks?
23 Are we going to be creating more banks on the
24 retail level to provide better services?

41

1 We have a vested interest in both the
2 intended effects and unintended consequences that a
3 merger of this enormity would have on the City of

09:17:20 4 Chicago and the region. To date, Bank One is the
5 largest municipal depository with anywhere between
6 \$35 to \$50 million on hand to cover payroll and
7 vendor invoices while also handling a large portion
8 of transactions processing for the City of Chicago.

09:17:36 9 Bank One and the City of Chicago have
10 created and maintained and enjoyed a working
11 relationship, a positive working relationship,
12 through these transactions and this should all
13 continue. Frankly, that's why I have taken such a
14 level of interest in this. We do applaud Bank One
15 for its history, for its track record with regards
09:17:52 16 to the CRA credit rating, and we want that to
17 continue here in the City of Chicago.

18 But I believe that and many of the
19 residents of the City of Chicago believe that when
20 you have a merger of this size, there are some
09:18:08 21 questions and issues that need to be addressed.

22 We want to ensure that not only residents
23 and businesses have access to fair and equitable
24 credit but that our local employment will also not

1 be negatively impacted. What safeguards are in
2 place to ensure that Bank One will stay across the
3 street and not go across the state line or even
4 farther to other countries, decreasing our access
5 and also available to services -- availability to
09:18:38
6 services?

7 With the creation of a merger of a
8 megabank encompassing multi-national markets,
9 products and service sectors, it is crucial to
10 maintain the rapport that encourages local
09:18:50
11 relationships, employment and open lines of
12 communication.

13 The purpose of the Federal Community
14 Reinvestment Act is to encourage depository
15 institutions to assist in meeting the credit needs
09:19:02
16 of the communities in which they serve.
17 J. P. Morgan Chase and Bank One have made
18 agreements with community-based nonprofits in the
19 Chicago area and other communities to outline their
20 community -- excuse me, their commitment to

09:19:16

21 community reinvestment, lending practices and
22 foreclosure controls.

23 However, structural remedies rather than
24 promises are required to maintain accountability to

43

1 the communities that these banks serve. How will
2 the proposed merged banks provide equal access to
3 credit for both residents and businesses in Chicago
4 and throughout Illinois?

5 We must not only inquire about the

09:19:42

6 outsourcing of employment but also the availability
7 of payday loan monies. A market of hard-working
8 and loyal customers await the availability of
9 short-term affordable loans but instead is offered
10 quick fixes at astronomical interest rates with

09:19:58

11 inadequate regulatory oversight. Banking
12 institutions have quietly observed and, at times,
13 funded these operations and operators themselves,
14 practices that break the backs of hard-working men
15 and women. How will the megabank be held

09:20:16

16 accountable to all the people it serves and offer
17 community solutions to problems like this?

18 I ask that we remain vigilant in
19 monitoring the creation and structure of an
20 institution such as the one that is being proposed

09:20:32

21 before us. Now, not later, is the time to insist
22 that the leadership in this institution maintain
23 the character and corporate culture of Bank One.
24 Their corporate giving, municipal depository

44

1 responsibilities, and provision of many jobs are
2 due in part to the City of Chicago itself.

3 I also ask that the Federal Reserve Bank
4 of Chicago carefully consider the testimony that we
5 bear witness today and to truly analyze how this

09:20:56

6 merger will impact the residents and businesses of
7 our great city and continue to be responsible and
8 vigilant in your oversight of corporate actions.

9 It is your regulatory control that will be vital to
10 maintaining a robust banking marketplace in

09:21:12

11 Chicago.

12 Finally, I ask that we continue to be
13 proactive in creating an environment in Chicago
14 that encourages positive corporate behavior that
15 demonstrates responsibility to consumers, employees
09:21:26
16 and our great City of Chicago.

17 Now I also want to commend the earlier
18 individual -- the individuals that provided earlier
19 testimony in particular with their \$800 billion
20 commitment which there have been a number of bullet
09:21:42
21 points and issues that were raised as to how the
22 \$800 billion were going to be spent.

23 Now I also want to commend Bank One and
24 J. P. for being as accessible as possible to the

45

1 elected officials. We have met with them on a
2 number of occasions, and I want to commend them for
3 that. However, I do ask that with the fact that
4 they demonstrated here a willingness with an
5 \$800 billion commitment over a ten-year period to
09:22:12
6 the communities, to our communities, that they sign

7 a CRA agreement; that they also provide a report
8 for outsourcing; that they take a hard look at the
9 payday loans.

09:22:26

10 Here we have an opportunity with an
11 \$800 billion commitment to actually take a look at
12 what alternative products our banks can provide our
13 communities in greatest need. Predatory loans
14 should also be taken a hard look at and be
15 incorporated in this \$800 billion commitment.

09:22:46

16 Thank you.

17 MS. BRAUNSTEIN: Thank you. Reverend Jackson.

18 REVEREND JACKSON: Good morning. My name is

09:22:58

19 Reverend Jesse Jackson, Senior, President and
20 Founder of Rainbow/Push Coalition, the Citizenship
21 Education Fund and its initiatives, the Wall Street
22 and LaSalle Street projects.

23 I'm going to begin my comments by stating

24 that presently we are neither opposed to nor in

46

1 favor of J. P. Morgan Chase's application for

2 merger with Bank One. Mergers are not inherently
3 wrong, but too much power in the hands of too few
4 is beyond checks and balances.

09:23:26

5 Our mission is to green-line, red-line
6 America, connectable process of access to capital
7 industry and technology. Our rule at this time is
8 to provide research and counsel as to the
9 importance of inclusion while you review this

09:23:44

10 merger. We feel it's essential that safeguards be
11 put in place to assure that any gains in diversity
12 must be protected.

09:23:58

13 Further, there must be a greater call for
14 disclosure. The joining of J. P. Morgan Chase and
15 Bank One support an establishment that enable
16 payday loans, red-lining, predatory and subprime
17 lending.

09:24:12

18 Matthew Lee, in part, will share with you
19 today some of the initial findings of his
20 organization. I encourage you to listen closely to
21 his testimony. I also encourage you to listen
22 closely to the pleas of nearly 40 farmers who
23 travel here today from Central and Southern

24 Illinois.

47

1 There are several items I will address
2 during the brief time allotted. Historical
3 patterns and present-day practices of race
4 discrimination is prevalent. These issues must be
5 resolved while the merger is on the ground. Once
09:24:40
6 it takes off, it will be out of sight. This
7 merger, to have community values, must break from a
8 history of race-based lending, gerrymandering,
9 schemes invested that will hurt the poor and limit
10 growth of the middle class. Structural
09:24:56
11 dislocations perish whole communities, undermine
12 the tax base, the education base and ultimately to
13 a jail's for-profit industrial complex.

14 Number one, this \$60 billion transaction
15 will create the second largest financial services
09:25:14
16 institution in the world. These two will control
17 approximately \$600 billion in assets. The fees
18 alone to facilitate this merger will range between

19 \$30 and \$100 million, just the fees in the
20 transaction. Our findings indicate that not one
09:25:34
21 dime will be spent with diverse brokerage firms.

22 We need to clarify as to the linkages that
23 exist between both of these banks and payday loan
24 centers, check-cashing facilities, gun shops,

48

1 predatory lenders and subprimers.

2 While we commend J. P. Morgan Chase for
3 the \$800 billion commitment to reinvestment, we
4 cannot accept the system and the process of
5 providing loans for low- and moderate-income
09:26:02
6 housing while in the same neighborhood providing
7 support for modern-day loan sharks. You can't farm
8 the house and then farm a termite factory next
9 door.

10 Let me put it for you in this context:
09:26:16

11 National estimates on a four-day payday loan can
12 reach 1,825 percent. The average percentage on a
13 37-day loan is approximately 3395 percent.
14 Colorado, one of the few states that keeps close

09:26:34 15 tabs on payday loans, indicates that from 1996 to
16 '97, payday loans had an average APR of 485.26
17 percent. The recent Associated Press article
18 concerning the victimization of soldiers and their
19 families by payday lenders in Fort Stewart,
20 Georgia, reported that interest rates ranging from
09:26:54 21 340 to 592 percent were being charged to these
22 soldiers' families.

23 Predatory lending and payday loans are the
24 new forces continuing to dismantle our communities.

49

1 We must closely monitor and end the support given
2 to these entities by these banks.

09:27:22 3 The top 50 to 100 executives for both of
4 these banks command salaries in the multi-millions,
5 yet their faces do not look like the faces of the
6 community. Bank One's officer team, executive
7 planning group is mostly one of multi-culture and
8 diversity. J. P. Morgan Chase's executive
9 leadership team has nominal representation, if any.

09:27:36 10 This leadership team of this merger is beginning to
11 look like Mount Everest with an unhappy merging
12 entity with a black and brown base of short trees
13 reaching to the heights of a snow-capped mountain.
14 This is America.

09:27:52 15 The newly established Board of Directors
16 may not just have one or two diverse candidates.
17 And as I was parenting on the playing field, we saw
18 a role for everyone. We must duplicate this in the
19 board room. There's a historical context that must
20 not be trivialized as being past the legal statute
09:28:06 21 of limitations. You must not forget nor will we
22 only ask you to remember that slavery is the
23 predecessor to the established problems of
24 red-lining, employment discrimination, sexual

50

1 harassment and the predatory lending we see in our
2 communities.

3 It is alleged that J. P. Morgan Chase was
4 a part of a consortium of financial services

09:28:30 5 institutions to help maintain slavery through an
6 insurance syndicate. With or without reparations,
7 our forebearers cry out to us for equality and
8 justice.

09:28:42 9 Remember that before CRA, the sons and
10 daughters of inheritance and privilege, Salt and
11 steel seek to keep the sons and daughters of
12 disenfranchisement and exploitation beneath them.
13 This serves as a primary force continuing to widen
14 the gap in our ability to access capital and
15 financing to open and expand the business,

09:28:58 16 obtaining a mortgage or a loan, or asking for a
17 seat at this table in managing the capital of our
18 financial markets.

09:29:10 19 African-Americans and other underserved
20 groups pay more for less -- pay more for less, live
21 under stress, die early with less, and don't live
22 as long because we're targets of immoral business
23 practices.

24 Predatory lending costs Americans over

1 \$9 billion annually. Minorities, farmers and the
2 elderly in urban communities continue to be
3 targeted for subprime loans regardless of their
4 credit history based upon their race and geographic
5 location.

09:29:36

6 The federal government has yet to
7 substantively define predatory lending, let alone
8 create a federal regulatory system that protects
9 the rights of consumers.

10
09:29:46

11 It is our desire, lastly, that as you
12 carry out your defined role of educating these
13 institutions about CRA programs, that you
14 incorporate the importance of diversity and
15 inclusion in the context of suppliers, employees,
16 executive leadership, corporate board

09:30:00

17 representation, and capital investment; a 5 percent
18 minimum increase in outsourcing of opportunities
19 that comes to the investment banking and brokerage;
20 appointing African-American and Hispanics and other
21 underserved groups and offer positions; employing a

09:30:16

22 more grass-roots approach, literally putting these

22 predators out of business.

23 Commitment is now on the way, lastly, to
24 employ the last-tide-first-flight strategy and

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1 layoffs. Bank of America is shedding 12,500 jobs,
2 rural ones, part of a move to justify the
3 \$48 billion that is spent buying Fleet Falls and
4 Financial. This must not be duplicated.

09:30:48 5 The Federal Reserve must not bless this
6 merger until the community-added value of
7 inclusion, diversity, expansion and
8 nondiscrimination is agreed and honored.

09:31:04 9 In using this example, if banks are
10 willing to green-line our communities, change the
11 historic discriminatory lending patterns, break
12 from the practice of funding termites next to
13 CRA-built homes, then the merger will be of value.

09:31:18 14 Thank you for this opportunity to be
15 heard. I hope to work with you as an advisor in
16 the area of inclusion. Thank you.

17 MS. BRAUNSTEIN: Thank you. Mayor Coleman.

18 HON. COLEMAN: Good morning.

19 My name is Mayor Mike Coleman, mayor of
20 the City of Columbus, the 15th largest city in the
09:31:28
21 nation, the largest city in the State of Ohio, and
22 the fastest growing city in the Midwest. I am
23 pleased to be here today even with my broken ankle.

24 Today represents another step in

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1 Bank One's evolution; and there are some very
2 important points I would like to make as it relates
3 to the City of Columbus because it is in the City
4 of Columbus where Bank One was created originally
5 and where it still maintains a significant
09:32:00
6 presence. And we know Bank One the longest and we
7 know Bank One the best.

8 First, let me tell you that Bank One
9 continues with the significant economic presence in
10 the City of Columbus and continues to be a major
09:32:14
11 and significant employer.

12 Secondly, Bank One has had a history of

13 supporting our community as it relates to
14 community-development initiatives.

09:32:32 15 And, thirdly, we view this merger as a new
16 season by which neighborhood development, economic
17 development, community empowerment can take place,
18 and increased employment can take place in the City
19 of Columbus as a result of this merger.

09:32:50 20 But let me point out some things. First
21 is that Bank One is, in Columbus, the largest
22 retail bank in the city with over \$9 billion in
23 deposits. They have 68 branches in Central Ohio.
24 They have 9500 employees; and they have paid more

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1 than \$3 million in City of Columbus income tax in
2 the year 2002.

09:33:28 3 Bank One also owns more than \$3 million
4 square feet of office and retail space and paid
5 over \$2.4 million of property taxes in the City of
6 Columbus. Bank One has also invested in many of
7 our most important community initiatives, and they

8 have invested in charity \$3 million in our
9 community in the year 2003 alone.

09:33:48 10 J. P. Morgan Chase is also a significant
11 employer in the City of Columbus where they have
12 located mortgage servicing headquarters with 2700
13 employees and represents the 13th largest
14 private-sector employer in the City of Columbus.

09:34:06 15 So with these two banks merging, it
16 represents about 12,000 employees in the City of
17 Columbus. And you can see that this merger -- the
18 City of Columbus has a great deal at stake with
19 respect to this merger.

09:34:28 20 In 2002, I started an initiative called
21 The Partnership for America's 21st Century City,
22 and it has resulted in \$3.5 billion commitments in
23 the central city neighborhoods and neglected
24 neighborhoods in the City of Columbus of which

55

1 Bank One is an active and contributing partner. I
2 am surprised that it did not come up in the
3 presentation this morning.

09:35:00 4 Bank One also has been very active with
5 new market tax credits to spur development in our
6 central city communities, and they have been very
7 involved with the low-income housing tax credit
8 program.

09:35:12 9 But I believe that it is critical that
10 this merged entity build upon the history of
11 Bank One in the City of Columbus and not only
12 continue what they have done but to expand upon
13 this commitment.

09:35:28 14 I am encouraged to hear what has happened
15 with Chase in other communities around the country,
16 with homes and jobs and business opportunities,
17 community development, and this \$800 billion
18 commitment. I'm here to say as the Mayor of the
19 City of Columbus that a lot of that should be spent
20 right in the City of Columbus, and we'll talk about
09:35:44 21 that.

22 It is my hope that a merged Bank One,
23 J. P. Morgan Chase will be actively involved and
24 continue to be involved as Bank One has in the

1 past, not just for our community which is
2 important, but it is a sound investment for the
3 merged bank. Is it a good business practice.

4 Several areas that we want them to
5 continue in is affordable housing and residential
09:36:12

6 development where in the City of Columbus we have
7 built 6,000 residential units in our city for the
8 past four years, many of which Bank One has been
9 involved in, but needs to continue and up their
10 commitment to our city under the merged entity
09:36:26

11 whether or not it merges in the City of Columbus;
12 downtown development which is critical;
13 neighborhood development which is critical to our
14 community; West Edge Business Park north of the
15 mall.
09:36:42

16 And, finally, it is in the best interest
17 of the merged bank and the City of Columbus that
18 they retain the job base of 12,000 employees in the
19 City of Columbus but also expand it for good, sound
20 financial and business reasons.

09:37:02

21 We have the work force, and that work
22 force is skilled. Columbus was recently ranked as
23 one of the lowest cost cities in the country for
24 doing business, among all cities, in the nation.

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1 So a skilled work force, plus low cost of doing
2 business in our community, equals, hopefully, a
3 formula of success where everybody can win in this
4 regard.

09:37:32

5 The city, Chase and Bank One could each
6 benefit by this merger if the following shall
7 occur:

09:37:48

8 Continued investment in our community in
9 many of the ways that was discussed here this
10 morning; job expansion in our community for sound
11 business reasons and sound business practices; and
12 ongoing community engagement.

13 I submit to you that the future of this
14 merger and the City of Columbus are intertwined.
15 Thank you very much.

09:38:08

16 MS. BRAUNSTEIN: Thank you very much. And
17 could we have the next panel please come forward.

18 We'll get started with the next panel. I
19 would just like to for the record state -- welcome
20 you and also to state the ground rules again. Each

09:39:32

21 speaker has five minutes. Please keep your eye on
22 the timekeepers who will signal you. You will see
23 the little lights light up. The yellow light
24 lights up when there's two minutes left.

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1 I would also ask if you have a printed
2 copy of your testimony that you can leave with us,
3 please leave that with our court reporter here at
4 the center table. And, lastly, when you begin
5 speaking, please state your name and organization

09:40:00

6 at the beginning for the record.

7 And with that, Brenda, do you want to lead
8 us off -- and, hi, it's nice to see you.

9 MS. LaBLANC: My name is Brenda LaBlanc. I'm a
10 board member of the National Training and

09:40:12

11 Information Center and Co-Chair Person of National
12 People's Action. I have been one of three women
13 elected to fill the role of our late chairperson,
14 Gale Cincotta.

09:40:24 15 Many of you know of Gale Cincotta as the
16 mother of the Community Reinvestment Act. She has
17 a long history in other parts of the country as
18 well as here in Chicago. I worked with Gale on CRA
19 issues for more than two decades. I was on the
09:40:38 20 leadership team when National People's Action hit
21 the Federal Reserve building in 1980.

22 From this action, we had a meeting with
23 Paul Volcker, who was then Chairman of the Federal
24 Reserve Board. Leaders from around the country

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1 persuaded Volcker that regulators should be
2 monitoring the banks for CRA performance which they
3 have not done since CRA had been passed. He agreed
4 and bank monitoring happened after that.

09:41:00 5 In fact, in the 1980s, NTIC held hearings
6 throughout the country with banks, community groups

7 and regulators about the enforcement of the CRA.

8 In fact, Kenneth H. Thomas, Ph.D., noted CRA

9 scholar wrote, "The National Training and

10 Information Center has been involved with the

09:41:16

11 largest number of CRA challenges and agreements."

12 In his book called, Community Reinvestment

13 Performance, "In Chicago, NTIC still sits on

14 several bank review boards as part of CRA

15 agreements that were negotiated in 1984."

09:41:30

16 I am testifying on behalf of NTIC and

17 community organizations throughout the country that

18 have been urging J. P. Morgan Chase to make a CRA

19 commitment with our affiliates. These are Central

20 Illinois Organizing Projects: Springfield,

09:41:46

21 Bloomington, Normal, Decatur, Champaign/Urbana,

22 Danville, Peoria, and rural Logan County;

23 Communities United for Action in Cincinnati;

24 Creston Neighborhood Association, Grand Rapids,

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1 Michigan; East Side Organizing Project, Cleveland,

2 Ohio; Iowa Citizens For Community Improvement,
3 Des Moines, Iowa; Pittsburgh Community Reinvestment
4 Group, Pittsburgh, Pennsylvania; Syracuse United
5 Neighborhoods of Syracuse, New York; South Austin
09:42:12
6 Coalition Community Council, Chicago; Lawndale
7 Neighborhood Organization, Chicago; and Sunflower
8 Community Action, Wichita, Kansas.

9 When we met with officials from
10 J. P. Morgan Chase/Bank One on March 5th to suggest
09:42:26
11 solutions to the banks' problems in meeting the
12 communities' credit needs, the banks told us that
13 they would not agree to any accountable measures to
14 achieve these solutions. J. P. Morgan Chase did
15 not announce a CRA commitment until the public
09:42:38

16 comment period was extended by the Federal Reserve.
17 The commitments they announced and the agreement
18 they signed with the group here in Chicago are not
19 strong commitments. J. P. Morgan Chase is trying
20 to get away with doing the least amount of work as
09:42:52
21 possible.

22 We submitted comments to the Federal
23 Reserve that outlines our concerns with high denial

24 rates for minorities; lack of specific programs in

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1 dealing with the foreclosed properties, considering
2 that both banks are tops on the list of foreclosed
3 properties in many of the cities in which we work;
4 Bank One's attempts to evade state legislation on
5 predatory lending; how Bank One's lending fuels the
09:43:18
6 growth of corporate farmers at the expense of
7 family farmers.

8 We invite everyone in the room to review
9 our comments on the details.

10 We cannot overstate how important CRA is
09:43:30
11 to our neighborhoods. We were originally left out
12 of the process that enables people to become
13 homeowners, and our neighborhoods were devastated
14 because of this. J. P. Morgan Chase wants to leave
15 us out of the process again by not signing the CRA
09:43:44
16 agreement.

17 We have had a great success at the local
18 level with groups like ours that have used CRA

19 making friends eventually of local bankers. Though
20 at first they thought we were trying to get them to
09:43:56
21 make bad loans, they found that we had, in fact,
22 opened up a new market for them which has been a
23 profitable market. And we have seen our
24 neighborhoods improve as a result. It's been a

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1 win-win situation.

2 But as our banks are morphed into huge
3 nationals, our efforts have become impaired.
4 Though our local president may be understanding, he
5 has to take orders and go by policy set at higher
09:44:22
6 levels with more geographic distance.

7 If J. P. Morgan Chase wants to be a leader
8 in community development throughout the country,
9 they have to do more than cherry-pick a few groups
10 from New York City with whom to work. They need to
09:44:34
11 live up to the spirit of the Community Reinvestment
12 Act and not be a contributing factor in killing the
13 law. The law has not outlived its purpose. With
14 megamergers such as these, the CRA is needed now

15 more than ever.
09:44:50

16 We'd also like to leave a copy of the new
17 report that we released today about J. P. Morgan's
18 record in lending in our neighborhoods. And I
19 would like to hear from William Harrison why he is
20 so afraid of signing a CRA agreement with community
09:45:02

21 groups. Thank you.

22 MS. RAMSEY: Good morning. My name is
23 Jane Ramsey, and I'm the Executive Director of the
24 Jewish Council on Urban Affairs. I am honored

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1 today to join you and appreciate the opportunity to
2 express our deep reservations about this proposed
3 merger. We ask Federal Reserve to require that an
4 approval process for this merger be based on the
5 banks' compliance with four specific conditions as
09:45:28

6 I will share in a moment.

7 Since 1964, the Jewish Council on Urban
8 Affairs has worked to combat poverty, racism and
9 anti-Semitism in partnership with diverse

09:45:44 10 communities in the greater Chicago area. Drawing
11 on Judaism's commitment to care for people of all
12 faiths, races and ethnic groups for the past four
13 decades, we have dedicated our time, energy and
14 resources to ensuring that low-income communities
09:45:56 15 have access to capital and credit on equal terms as
16 all other Chicagoans.

17 We've also fought for a holistic approach
18 to regional economic development that promotes
19 balanced investment, expanded job training, and the
09:46:10 20 targeting of promising industries for aggressive
21 support by the city and state. Chicago has an
22 unfortunate history of witnessing countless
23 instances where low-income communities, often
24 minorities and immigrants, have been denied access

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1 to appropriate, fair financial services.

2 So throughout the past four decades we
3 have fought against predatory lending practices by
4 financial institutions in the city. We have also
5 fought against payday loan abuses. We have urged

09:46:34

6 that these adverse and, at times, illegal practices
7 must be studied and strictly regulated to protect
8 our state's most vulnerable citizens from
9 unscrupulous practices that can place homes,
10 families, communities at risk and that do.

09:46:52

11 In this situation before us today, we see
12 several red flags of particularly grave concern.
13 We note the research conducted in part by our
14 colleagues from the National Training and
15 Information Center and applaud their work, and by

09:47:06

16 the Inner City Press in New York suggesting that
17 J. P. Morgan Chase has a problematic history when
18 it comes to lending to individuals in minority
19 communities who want to purchase homes.

09:47:20

20 We are also disturbed by memories of
21 recent bank failed mergers in our city, including
22 the Continental Illinois National Bank and the
23 burden on the public to bail out these failed
24 institutions. More information upfront about the

1 proposed merger under consideration today would go
2 a long way obviating both of these concerns.

3 The size of this merger, if approved, will
4 have tremendous impact on our regional economy.

5 We, therefore, ask that four conditions be
09:47:48

6 fulfilled before this merger is approved.

7 First, we ask the Federal Reserve to
8 require that Bank One and J. P. Morgan Chase
9 provide complete records of their lending policies
10 in this city for the past 40 years. This

09:48:04

11 information should be disaggregated by race, ethnic
12 group and neighborhood and should be made public
13 for review and comment.

14 Second, we ask the Federal Reserve to
15 require that Bank One and J. P. Morgan Chase hold a

09:48:20

16 series of open meetings in neighborhoods that have
17 historically suffered from the banks' -- most from
18 the banks' discriminatory practices. These

19 community meetings should include discussion on the
20 two banks' records of providing access to capital

09:48:36

21 and credit in these neighborhoods where applicable.

22 For a start we would recommend these hearings take
23 place in Lawndale, Englewood, Woodlawn, Humboldt
24 Park, South Shore, Uptown, Albany Park and Pilsen,

66

1 among the city's most -- representing most
2 disadvantaged citizens.

3 Third, we ask the Federal Reserve to
4 require that both banks make an explicit written
5 promise to keep jobs in the area. We share the
09:49:02
6 Lieutenant Governor's concerns on outsourcing.
7 They must publicly affirm their commitment to
8 keeping workers in Illinois and not allow
9 good-paying positions to slip away.

10 Fourth, we ask the Federal Reserve to
09:49:20
11 require the two banks to issue a detailed
12 memorandum explaining how this merger will help
13 preserve and develop affordable housing in
14 Illinois. In particular, we need information which
15 includes access to credit and alternative models
09:49:34
16 that do not exploit as do predatory lending and
17 payday loan shops. This memorandum should be

18 circulated widely to community leaders and housing
19 developers for comments. The banks must then
20 respond publicly to these comments before seeking
09:49:52
21 the fed's approval of the merger.

22 Our tradition teaches, "It is not wreckers
23 we need but builders." We ask this honorable
24 committee and the entire Federal Reserve Bank to

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1 heed these words and to demand much greater
2 production of information from these banks to allow
3 low-income Chicagoans to be able to preserve and
4 build their homes and their communities through
5 access to credit and capital when needed.

09:50:20

6 In closing, the Jewish Council on Urban
7 Affairs thanks you for providing us with the
8 opportunity to testify this morning on this most
9 critical issue, and please let us know if we can be
10 of any further assistance.

09:50:34

11 MS. BRAUNSTEIN: Thank you very much.

12 MR. VAN TOL: Thank you for this opportunity.

13 My name is Hubert Van Tol, Executive Director of
14 Fairness and Rural Lending as part of Wisconsin,
15 and my comments represent the position fairness and
09:50:50
16 rural lending.

17 Fairness in Rural Lending is also a member
18 of the National Community Reinvestment Coalition as
19 are a number of your other commenters today, and we
20 also give our support to the concerns raised by all
09:51:00
21 of the members of NCRC and their testimony.

22 As you know, I also serve as a member of
23 the Federal Reserve's Consumer Advisory Council;
24 and, if you wish at any time to assign me the task

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1 of articulating the Federal Reserve's official
2 position on this merger, I will be happy to take
3 that job.

4 MS. BRAUNSTEIN: We'll keep that in mind.

5 MR. VON TOL: Fairness in Rural Lending's
09:51:24
6 comment letter on this merger focused on two
7 primary issues. First, our analysis of the
8 foreclosure records in rural Wisconsin counties

09:51:38 9 seem to show that both J. P. Morgan Chase and
10 Bank One were listed as plaintiffs in an unusually
11 high number of foreclosure actions in the rural
12 Wisconsin counties, given the number of home
13 mortgage loans that they actually provide in those
14 counties.

09:51:50 15 Secondly, we are concerned that there's a
16 pattern developing among the largest lenders in
17 which their prime lending, their community
18 development lending and their CRA investments are
19 focused in metropolitan areas, and rural areas get
20 more attention from their subprime subsidiaries and
09:52:04 21 affiliates.

22 On the foreclosure issue, J. P. Morgan
23 Chase's response letter of March 12th argues that
24 the foreclosure percentage is not really as high as

69

1 it seems because Chase Manhattan Mortgage
2 Corporation services many more loans than it
3 originates in rural Wisconsin; and that while both

09:52:30 4 Chase and Bank One's percentage of foreclosures in
5 rural Wisconsin counties are higher than the
6 Wisconsin average, they're nonetheless lower than
7 the "east/north central industry percentage".

8 Since we don't have access to this larger
9 industry in Chase Manhattan databases, we will have
10 to hope that the numbers that they provided are in
09:52:42
11 fact correct. But the larger issue of the adequacy
12 of Chase's policies governing their purchasing
13 servicing and securitizing of subprime mortgages
14 remains.

15 In the various answers that Chase has
09:52:56
16 provided to the Federal Reserve and the comment
17 period on this merger, they seemed to lay out quite
18 different standards for the loans that they
19 originate themselves and for the loans that they
20 purchase, service and securitize.

09:53:08
21 For their own subprime loans, Chase does
22 not offer a single premium credit life. They do
23 not require a mandatory arbitration. Prepayment
24 penalties are not required. Customers who qualify

1 for a prime product are offered prime products. In
2 their broker channel, they cap yield spread
3 premiums at 3 points.

4 By these policies that they have
5 established, they acknowledge that abusive loans
09:53:34

6 are not just HOPA loans or those loans that are
7 considered high cost under the various state laws.

8 In terms of their policies, they make some
9 attempt to prevent at least some of the practices
10 that community groups consider abusive. When they
09:53:48

11 purchase loans, Chase avoids purchasing HOPA or
12 high-cost loans and undertakes some due diligence
13 that looks for borrowers' ability to repay,
14 evidence of equity stripping and loan flippings.

15 But when securitizing loans, the "best
09:54:02
16 practices" that Chase adheres to appears to be a
17 commitment to avoid purchasing HOPA loans or loans
18 that meet high cost thresholds. Any due diligence
19 that Chase performs appears to focus on determining
20 whether the issuer followed their own underwriting
09:54:20

21 policies and procedures and whether they broke any
22 of the various consumer laws.

23 Chase asked to keep part of its answer
24 about servicing practices confidential, but nothing

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1 in the public answer that I have seen indicates
2 that they make any attempt to avoid servicing loans
3 originated by other lenders that might be
4 considered abusive loans by community groups.

09:54:44

5 Here I think we get to the heart of the
6 disagreement between community groups and banks and
7 their regulators. Bankers and their regulators are
8 fond of saying that very little predatory lending
9 originates from the regulating lenders. And if

09:55:00

10 your definition of predatory lending is simply a

11 HOPA loan, then that might be true. And, yet,

12 there are a large number of loans out there

13 carefully priced just under that HOPA threshold for

14 borrowers who may or may not qualify for a prime

09:55:14

15 product that find purchases, servicers and

16 securitizers. Many of them are the large
17 regulatory financial institutions.

18 Without that pipeline to the secondary
19 market, the rogue broker can only do a limited
20 amount of damage; but with an anything-goes

09:55:28

21 pipeline, the rogue broker becomes the rule --
22 closer to the rule rather than the exception. You
23 can do a great deal of good in reviewing these
24 applications, and I'm sorry I don't speak fast

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1 enough, but I will include the rest of my comments
2 in my written testimony.

3 MS. BRAUNSTEIN: Thank you very much.

4 MS. HAYNESWORTH: Hi. My name is

5 Catherine Haynesworth. I'm a member of East Side

09:55:54

6 Organizing Project, ESOP, from Cleveland, Ohio.

7 ESOP is a community affiliate of the

8 National Training and Information Center, NTIC,

9 located here in Chicago. I'm testifying on behalf

10 of ESOP and community organizations throughout the

09:56:10

11 country that have been urging J. P. Morgan Chase to

12 make a written CRA commitment with our affiliates.
13 These groups are Central Illinois Organizing
14 Project, Springfield, Bloomington, Normal, Decatur,
15 Champaign/Urbana, Danville, Peoria and rural Logan

09:56:28

16 County; Communities Neighborhood Association, Grand
17 Rapids, Michigan; Creston Neighborhood Association,
18 Grand Rapids; Iowa Citizens For Community
19 Improvement; Pittsburgh Community Reinvestment
20 Group; Syracuse United Neighbors; South Austin

09:56:46

21 Coalition Community Council; Sunflower Community
22 Action.

23 ESOP has been leading the charge for fair
24 access to quality credit throughout Northeast Ohio.

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1 We recently signed a historic CRA agreement with
2 Charter One who agreed to work with us to be among
3 the top three lenders in the minority census tracks
4 over the next few years. Before the agreement,
5 they were near the bottom. In 2003, Charter One
6 increased its lending in the low- to

09:57:20

7 moderate-census tracks by nearly 300 percent.

8 ESOP has been -- I'm sorry, our victory

9 with Charter One has proven that fine CRA

10 agreements with banks are the most effective if not
09:57:36

11 the only way to ensure that our lending and

12 investment needs are fully met.

13 Besides Charter One, ESOP has several

14 other noteworthy accomplishments. Our local

15 organizing campaign against Fairbanks Capital
09:57:52

16 Corporation, the nation's largest subprime loan

17 servicing, led ESOP to spearhead negotiations with

18 NTIC and CEO of Fairbanks Capital, James Ozanne, a

19 written agreement that goes well beyond the FTC

20 settlement that was signed a couple weeks ago.
09:58:14

21 In late 2003, ESOP participated in the

22 creation of the Third Federal Savings and Loan's

23 Home Today Program. This product is designed for

24 first-time homebuyers and/or current homeowners

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1 with less than perfect credit. This is truly a

2 unique program that does not use credit scores and

3 has rescued dozens of victims of Fairbanks, even
4 those who were in foreclosure.

09:58:42 5 As part of NTIC, ESOP signed an agreement

6 with the nation's largest subprime lender,
7 CitiFinancial that requires CitiFinancial to
8 immediately stop engaging in many abusive lending
9 practices as well as offering prime rate loan
10 products throughout its network of CitiFinancial

09:59:00

11 branches.

12 Be it Charter One, CitiFinancial,
13 Fairbanks or the product created with Third
14 Federal, written agreements make sense, not just
15 for our communities but for the institutions as

09:59:12

16 well.

17 I am here from Ohio. Bank One abandoned
18 our communities when they decided to move their
19 corporate headquarters to Chicago. I'm here to
20 tell you they will do the same thing to Chicago if

09:59:26

21 they do not have a CRA agreement that holds them
22 accountable.

23 ESOP submitted detailed comments to the

24 Federal Reserve that outlines our concerns about

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1 Bank One's lack of branches in the inner city of
2 Cleveland and Bank One and J. P. Morgan Chase's
3 questionable loan servicing practices. We invite
4 everyone in the room to review our comments from
5 the details or review the NTIC study that you were
09:59:50
6 just showed.

7 Allow me to share my nightmare regarding
8 Fairbanks and J. P. Morgan Chase. Fairbanks, as I
9 noted earlier, is working with NTIC with a written
10 partnership to change their ways. J. P. Morgan,
10:00:08
11 however, refused.

12 I'm sure you know how good it feels when
13 everything appears to be going well in your life.
14 Approximately ten years ago, I was very excited
15 because, as a single parent, I was able to purchase
10:00:22
16 a home. I just knew this was the American dream
17 until what happened in July 2001.

18 Fairbanks Capital, my loan servicing
19 company, totally rocked my world. I received a

10:00:38 20 phone call on my job indicating that my home was
21 going into foreclosure. I immediately wrote them a
22 letter and included copies of my cancelled checks
23 and receipts of my Western Union payments.
24 However, this loan servicing company still insisted

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1 my payments were late and forced me to file Chapter
2 13.

10:01:08 3 After my involvement with ESOP, I found
4 out why my loan servicing company felt my payments
5 were late. It took Fairbanks Capital two years to
6 explain to me that they did not honor two Western
7 Union payments sent to Conti Mortgage in December
8 1999, even though I had receipts and even though
9 Fairbanks purchased Conti Mortgage.

10:01:24 10 You're probably wondering why I am
11 speaking of Conti Mortgage and Fairbanks and this
12 is about a hearing on J. P. Morgan and Chase? The
13 simple fact is J. P. Morgan owned my loan and so
14 does servicing to Fairbanks. When I received legal

15 documentation indicating my loan was going into
10:01:40
16 foreclosure, it was indicated that J. P. Morgan or
17 its affiliate versus Catherine Haynesworth. It
18 would seem that J. P. Morgan would be happy to
19 originate and purchase garbage loans, but they
20 don't have the guts to service them. Instead, they

10:01:56
21 distance themselves by selling servicing rights to
22 others.

23 When I attempted to contact the actual
24 owner of my mortgage, I was referred back to

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1 Fairbanks. The problems I have experienced with my
2 loan servicing company has shown me that a national
3 point person needs to be designated by J. P. Morgan
4 and Bank One to resolve complaints with servicing
5 agreements.

6 This experience has affected my life in a
7 negative sense as well as my associates at ESOP of
8 Cleveland. Allow me to say that I know God can do
9 exceedingly and abundantly above anything we can
10 ask or imagine. I say this because in July 2001 I

10:02:40

11 thought I lost my home. However, in March 2004, my
12 home was taken out of foreclosure. It's because of
13 a signed agreement with Fairbanks Capital through
14 the efforts of ESOP and NTIC, my loan with
15 Fairbanks is in the process of being restructured

10:03:00

16 or modified.

17 In addition, Third Federal Savings and
18 Loan has contacted --

19 MS. BRAUNSTEIN: Ms. Haynesworth, excuse me.
20 I'm sorry, can I ask you to wrap up, please.

10:03:08

21 MS. HAYNESWORTH: I'm about to -- has contacted
22 me because they read about my misfortune in the
23 local newspaper, and they told me that they would
24 like to assist me with the refinancing on my loan.

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1 Again, it's because of a signed agreement in the
2 creation of a product for home loans.

3 I urge the Federal Reserve to deny this
4 merger until CRA concerns have been dealt with in a
5 meaningful way. Certainly, Mr. Harrison would

10:03:36

6 never agree to make a mortgaged loan without a
7 signed agreement.

8 In closing, I would like to alert the
9 media of a press conference that will be happening
10 at 10 o'clock a.m. in the Iowa Room on the third
11 floor. Thank you.

10:03:48

12 MS. BRAUNSTEIN: Thank you very much to all our
13 panelists, and could the next panel please come
14 forward.

15 A quick review of the ground rules. Five
16 minutes per speaker and please pay attention to the
17 timekeepers. We've got a lot of people to hear
18 from today, so we're trying to stay as close to
19 schedule as possible. And if you have a written
20 copy of your testimony and can leave that with the

10:04:30

10:04:46

21 court reporter, that would be appreciated. And,
22 lastly, before you begin speaking, please make sure
23 to state your name and organization for the record.

24 Ms. Burke, would you like to lead us off?

79

1 MS. BURKE: Good morning. Thank you for the

2 opportunity to testify. My name is Clara Burke. I
3 am the Executive Director of the Lafayette Council
4 on Aging.

10:05:10

5 The mission of the Lafayette Council on
6 Aging is to enhance the well-being of the elderly
7 by providing and expanding an innovative range of
8 services delivered with respect, care and
9 compassion, upholding the dignity and independence
10 of the individual. Some of the services that we

10:05:26

11 provide to accomplish that mission are meals to
12 senior citizens, 600 senior citizens per day;
13 homemaking and transportation of homebound senior
14 citizens, over 5,000 transportation trips per year;
15 a monthly newspaper; employment and training

10:05:44

16 program; a foster grandparent program; wellness and
17 recreational programs; and affordable housing.

18 In 1985, we were awarded a grant for our
19 Foster Grandparent Program but had no place to
20 house the program. In our search for in-kind space

10:06:00

21 in our community, the president of Bank One
22 provided space in one of their buildings, and we've

23 occupied this in-kind space for over five years.

24 The president of the bank also coordinated

80

1 volunteers from employees and delivered meals to
2 several homebound persons in close proximity to the
3 bank. This delivering program continues to today
4 and is very successful.

10:06:34

5 A community investment officer is a
6 founding member of ACHDO, the Greater Arcadian
7 Community Housing Development Organization, which
8 is sponsored by the Lafayette Council on Aging. He
9 also worked with the Council on Aging and secured a
10 grant from the Federal Home Loan Bank out of

10:06:50

11 Chicago. I believe that the merger would certainly
12 be advantageous to J. P. Morgan Chase Bank and
13 Bank One as well as the employees, customers and
14 investors of both financial institutions.

10:07:08

15 In summary, some of the benefits from the
16 community involvement by Bank One are helping us to
17 provide opportunities for low-income senior
18 citizens to remain physically and mentally active

19 and to enhance their self-esteem through continued
20 participation in needed community services as
10:07:28
21 foster grandparents.

22 Bank One has assisted us in enabling
23 children with either exceptional or special needs
24 to achieve improved physical, mental, emotional,

81

1 and social development with the assistance of the
2 foster grandparent volunteer.

3 Bank One continues to help us feed senior
4 citizens by volunteering to deliver meals.

5 Bank One has helped us in keeping senior citizens
10:07:56
6 healthy and in shape by sponsoring our Senior
7 Olympic Games. Bank One also provides houses in
8 providing affordable housing to low-income and
9 disadvantaged persons.

10 Some of the projects that we're presently
10:08:12
11 working on, we're about to break ground on a
12 60-unit complex for senior citizens. We're working
13 on the closing of a 14-unit complex for physically

14 handicapped persons. We're constructing
15 25 affordable houses for home ownership for
10:08:30
16 low-income and disadvantaged persons. We're also
17 working on the closing for 88 units of housing for
18 elderly persons. We're also doing 1.5 renovations
19 on a 175-unit complex that we own. And we're also
20 refinancing a Section 202 senior citizens complex
10:08:52
21 and expanding 14 efficiencies to be one-bedroom
22 apartments, totaling over \$18 million.

23 Based on Bank One's concern for serving
24 the needs of our community, I support the merger of

82

1 Bank One and J. P. Morgan Chase bank. Thank you.

2 MS. BRAUNSTEIN: Thank you.

3 MR. AZIOS: Good morning. My name is
4 Victor Azios. I'm a senior associate testifying on
5 behalf of The Annie E. Casey Foundation.

10:09:26

6 I appreciate the opportunity to speak to
7 you today. My remarks will focus on the areas of
8 convenience and needs of communities to be served
9 and the thriving partnership of this humanitarian

10:09:38 10 endeavor between Making Connections-San Antonio and

11 Bank One.

12 I serve as the Site Team Leader as part of
13 my responsibilities with the Foundation. Making
14 Connections is the Foundation's effort to partner
15 with entire communities, rather than with one or
10:09:50

16 more singular organizations, to help improve the
17 chances of children having positive life outcomes.

18 The aim of the local effort is to bolster
19 supportive communities and to help create an
20 environment that provides greater economic
10:10:04

21 opportunities for children and families.

22 Our function then is to bring together the
23 myriad of organizations already improving the lives
24 in San Antonio's West Side in order to bring about

83

1 faster and more efficient change.

2 Making Connections-San Antonio launched a
3 process in San Antonio that culminated with the
4 Annie Casey Foundation's commitment to a ten-year

10:10:28 5 community-change effort to improve the lives of
6 underprivileged children by improving the lives of
7 their families and communities.

8 Our target area, known as San Antonio's
9 West Side, is considered the most economically
10 depressed center of the city. With a can-do
10:10:40 11 attitude and deep faith to motivate us, we rolled
12 up our sleeves and dove into the initial process of
13 identifying common goals and eliciting the
14 commitment of beneficiaries.

15 Making Connections sponsored a series of
10:10:52 16 forums to "bring to the table" residents, local
17 officials, community organizations, businesses,
18 faith leaders, funding groups and civic leaders.
19 These sessions enriched the process of gathering
20 information, identifying resources, and mapping our
10:11:06 21 target area.

22 The findings which resulted from these
23 initial forums of community leaders led to the
24 identification of the community's goals. Another

1 important aim of these summits was to secure the
2 committee's firm commitment to work towards meeting
3 those goals.

10:11:26

4 With the community's mandate in hand, our
5 next step was to identify community partners
6 willing to work with the community and civic
7 organizations. Bank One became an active and
8 willing partner as we explored opportunities for
9 co-investments that impact, influence and leverage
10 the efforts that strengthen families, transform

10:11:40

11 neighborhoods and enhance the quality of life in
12 the communities that we both serve. Shortly
13 thereafter, Bank One became one of our nine
14 Community Partners seeking common purpose through
15 co-investment in the Making Connections

10:11:52

16 neighborhoods.

10:12:04

17 Specifically, Bank One focuses on
18 supporting nonprofit organizations by supporting
19 youth through education, encouraging economic
20 empowerment and self-sufficiency, enriching
21 community life and encouraging innovations in

22 philanthropy. All of these efforts were a good fit
23 with Making Connections-San Antonio's mandate from
24 The Annie Casey Foundation.

85

10:12:28
1 I am here to support -- I am here to state
2 our support of the proposed merger of J. P. Morgan
3 Chase and Bank One. Bank One's commitment to the
4 Making Connections-San Antonio effort has
5 demonstrated its understanding of this community's
6 needs and its willingness to co-invest and
7 collaborate with other agencies as the residents of
8 San Antonio's West Side make important strides
9 towards achieving their full potential in society.

10:12:40
10 Making Connections Initiatives throughout
11 the country help "tough neighborhoods" so
12 identified because of the negative stressors that
13 impact the lives of children. Our work is carried
14 out in three major strands; Family Economic
15 Success, Efficient and Effective Services, and
10:12:54
16 Social Networks.

17 I feel that our strong collaborative
18 relationship with Bank One would be strengthened by
19 J. P. Morgan Chase's track record of strong support
20 for affordable housing, one of the stated goals of
10:13:04
21 our family summits.

22 Under the Community Reinvestment Act and
23 with the vision and leadership of the Community
24 Reinvestment Officer, Lisa Rodriguez, common ground

86

1 was identified between Bank One and Making
2 Connections.

3 I will now briefly describe some of the
4 areas of the joint effort.

5 Bank One in San Antonio has a proven
10:13:22
6 record of supporting the community not only with
7 financial literacy but also success through their
8 products. Bank One is a co-member of the Tax
9 Coalition aimed at increasing earned income tax
10 credits. The efforts of this coalition last year
10:13:36
11 helped net over \$22 million in earned income tax
12 credit refunds, a return to the pockets of

13 San Antonio's poor, working families.

14 Bank One has provided support to the local

10:13:50

15 job training agency, Project Quest, and is a

16 partner with the Alamo Workforce Development.

17 This, of course, has an impact on the building

18 capacity for job-training programs.

19 Bank One is a co-investor in Accion Texas,

10:14:00

20 a microenterprise investor, along with Community

21 Development Loan Fund.

22 Bank One is also in partnership with our

23 Lady of the Lake, one of our local learning

24 partners, to provide comprehensive financial

87

1 literacy programs.

2 In addition, Bank One is in conversation

3 with officials of the City of San Antonio on IDA

4 programs to help individuals achieve educational

10:14:24

5 and home ownership goals.

6 Bank One initiated a product called a

7 Direct Card, a pre-paid debit card that was used in

8 conjunction with the earned income tax credit
9 program.

10 In conclusion, I feel the merger of
10:14:34

11 J. P. Morgan Chase and Bank One would be beneficial
12 and I support it. Thank you very much.

13 MS. BRAUNSTEIN: Thank you.

14 MS. ANDREWS: Thank you for the opportunity to
15 testify this morning. My name is Nancy Andrews. I
10:14:44

16 am the President and CEO of the Low Income
17 Investment Fund, and my testimony is in favor of
18 this merger.

19 My organization is a community development
20 financial institution that works across the United
10:14:56

21 States, but our activities are concentrated in New
22 York, in the San Francisco Bay area and in Southern
23 California.

24 Our mission is one of poverty alleviation,

88

1 and we particularly focus on poor kids. And in the
2 19 years of the existence of my organization, we
3 have made about \$400 million in loans for

4 community-based projects. That capital has
5 supported about 46,000 units of housing.
10:15:24

6 80 percent of those go to families that are
7 considered very poor.

8 We've financed 14,000 units of childcare,
9 all of which are serving low-income kids. We've
10 financed about 2,000 spaces in educational
10:15:40

11 facilities in low-income communities serving,
12 again, poor children; and we've financed about
13 1.6 million square feet of commercial space in the
14 distressed communities.

15 J. P. Morgan Chase was instrumental in
10:15:54
16 making the track record of accomplishments that I
17 just cited possible; and they have done that in two
18 ways.

19 First, in the very, very early stages of
20 my organization's life, they provided a combination
10:16:08
21 of financial capital and human capital. The
22 financial capital came in the form of loans that
23 supported our lending activity and in a way fueled
24 the accomplishments that I just described. But the

1 human capital, human talent, came in the form of
2 the people within the organization, within
3 J. P. Morgan Chase, that helped mentor and grow my
4 organization into what it has become today. And I
5 particularly want to express appreciation to both
10:16:42
6 Joe Riley and Mark Willis of this organization who
7 have put in hours and hours of time on the board of
8 my organization as well as serving on the loan
9 committee and actually making some of the loans
10 that I just described.

10:16:58

11 And last year, Chase was instrumental in
12 allowing us to open up a new childcare program in
13 New York City. They provided leadership support,
14 both in the form of grant support as well as
15 leading a public effort to announce a New Child
10:17:16
16 Care effort that my organization has launched in
17 New York City. And in just the last 18 months,
18 that effort has led to the creation of about a
19 thousand spaces of childcare in the City of New
20 York and has supported training for dozens of

10:17:30

21 childcare providers across that city.

22 Over the years, Chase has provided about

23 \$5 and a half million in support to my

24 organization; but, most important, I think, is the

90

1 leadership that they have provided within New York

2 and California around the projects that we have

3 launched. Often they have taken the role of

4 believing in us and making a bet on our work even

5 when we didn't know that it was going to come out

10:18:00

6 well.

7 What this means is that while we

8 appreciate the capital that's being invested in

9 communities, there's also no substitute really for

10 the people; and people within organizations make

10:18:14

11 all the difference.

12 I want to close by saying that we

13 appreciate the good citizen work that has been done

14 and the efforts that we think this merger will lead

15 to in promoting it and improving that. I do urge

10:18:30

16 that there be continued attention and concern
17 around subprime lending practices and would urge
18 that the new institution exercise corporate
19 leadership around that as well.

20 Thank you very much for the opportunity to

10:18:46

21 testify.

22 MS. BRAUNSTEIN: Thank you.

23 MS. BASS: Good morning. Can you hear me?

24 MS. BRAUNSTEIN: Yes.

91

1 MS. BASS: Good morning. My name is
2 Barbara Washington Bass. I'm the Executive
3 Director of Community Development Advocates of
4 Detroit, better known as CDAD.

5 On behalf of CDAD, I would like to thank

10:19:10

6 the Federal Reserve Bank for providing the
7 opportunity to comment regarding the merger between
8 J. P. Morgan Chase and Bank One.

9 CDAD consists of over 100 member

10 organizations, representing more than 60 Detroit

10:19:30

11 Community Development Corporations and
12 40 supporting organizations, including technical
13 service providers and related organizations. When
14 taken in total, over 700,000 residents are
15 represented by CDAD member organizations.

10:19:46

16 Our members have produced well over
17 75 percent of all new and rehabilitated units of
18 housing as well as serving as a catalyst for
19 neighborhood commercial development efforts. CDAD
20 engages in policy analysis and public education

10:20:06

21 around a host of public policies that affect our
22 members and their real estate development efforts
23 in low- and moderate-income neighborhoods.

24 These accomplishments and many others

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1 would not have been achieved without the dedicated
2 support and partnership with Bank One.

3 Throughout CDAD's inception, Bank One has
4 been a supporter of CDAD's efforts to revitalize
5 the City of Detroit. With hard-working bank

10:20:32

6 officers, such as Jack Schwab and Nancy Walker,
7 Bank One has been a trailblazer in connecting with
8 the community and leveraging dollars throughout our
9 city. Our nonprofit developers value the support
10 demonstrated by Bank One when leveraging public

10:20:50

11 sector dollars with loan products offered by the
12 bank. Bank One not only provides the resources to
13 help spearhead development, but they participate at
14 the table as partners.

15 CDAD's mission is to increase the

10:21:06

16 effectiveness of community-based development
17 organizations in their efforts to revitalize and
18 rebuild Detroit's communities by providing a
19 vehicle for information-sharing technical
20 assistance, advocacy and common action on issues

10:21:20

21 affecting our members.

22 Over the years, Bank One has been an
23 unwavering partner that has held firm on its
24 commitment to sustainable development efforts in

1 the City of Detroit. In this spirit, Bank One has

2 made a three-year commitment to finance up to
3 \$3.1 billion in the City of Detroit.

10:21:44

4 Indeed, when we learned of the proposed
5 merger, we were pleased as we are certain that the
6 assets of J. P. Morgan Chase merged with Bank One
7 will more than help to promote further development
8 in the City of Detroit. Our members will continue
9 to monitor this commitment and discern how best to
10 support J. P. Morgan Chase and Bank One's efforts

10:22:02

11 should the need arise.

10:22:20

12 In conclusion, CDAD is not only a partner
13 with Bank One -- I'm sorry, CDAD is not only a
14 partner with Bank One but does its banking with the
15 company as well. CDAD members share a common

10:22:36

16 commitment towards serving the needs of consumers,
17 small businesses and communities in our city. We
18 are confident from our past experiences that by
19 approving the merger, J. P. Morgan Chase and
20 Bank One will more than exceed your expectations
21 not only in Detroit but in every community served
22 by these fine institutions.

23 Again, we thank you for this opportunity
24 to speak. If additional information is needed,

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1 feel free to contact me directly. Thank you.

2 MS. BRAUNSTEIN: Thank you very much.

3 MR. PRITSCHER: Hello. I am John Pritscher,

4 the president of Community Investment Corporation

10:23:02

5 in Chicago. I am here to testify in support of the

6 merger.

7 My remarks are going to focus on

8 multi-family rehabilitation lending to lower income

9 communities in the Chicago metro area because

10:23:20

10 that's what I know best; and I think it also points

11 out an example of how things have evolved and how

12 banks -- a bank and all banks can play a central

13 role in helping this to evolve in other areas of

14 the country as well.

10:23:46

15 When I started at CIC 20 years ago, it was

16 practically impossible to get a multi-family rehab

17 loan in lower income, lower rent neighborhoods of

18 the metro area with the exception of South Shore

19 where South Shore Bank was active.

10:24:10 20 Later that year, at the gentle

21 encouragement of Gale Cincotta, Bank One also

22 became -- started their neighborhood lending

23 program and began, along with some other banks, to

24 play a major role in making banks partners with

95

1 local community development efforts in very active

2 ways.

3 Chicago is a rental city. About

4 56 percent of the housing units in the city are

10:24:48 5 rental, most of them in multi-family apartment

6 buildings. It might not be the situation in the

7 rest of the country, but that's the case here. And

8 the lower the income of the household, the more

9 likely it is that they're renters. And, yet today,

10:25:08 10 so far, you have heard no criticism about the

11 presence of banks or -- you know, in multi-family

12 housing. Twenty years ago, it probably would have

13 been the prime point of discussion.

14 But this is not surprising because Chicago
15 is the home of Gale Cincotta and NTIC; the
10:25:28
16 Woodstock Institute; Shore Bank, a great
17 neighborhood housing service organization;
18 Community Investment Corporation, which I will tell
19 you a little more about in a few moments. But the
20 banks themselves and a creative Department of
10:25:48
21 Housing of the city, which has, because of the
22 availability of the bank money in part and of other
23 very flexible types of money, has been able to be
24 creative in partnership with them, as well as

96

1 effective housing community-based activists have
2 brought Chicago to a place that I'm very proud to
3 say is a leader in financing the hands-on owners of
4 buildings in low-rent neighborhoods.

5 I think we should give credit where credit
10:26:26
6 is due and recognize that Bank One has played a
7 leadership role in this. And I see no reason based
8 on the \$800 billion commitment and the people that
9 they have had and the history of what they have

10:26:44 10 done that there's any reason to suspect that this

11 will change and that it can be patterned in other
12 places.

13 Maybe an example of what -- Community
14 Investment Corporation that I am the president of
15 is a \$550 million revolving loan pool funded
10:26:58

16 primarily by the banking community. And to do
17 something like that -- and last year we made 120
18 multi-family rehab loans totaling \$70 million for
19 the rehab of just over 2300 rental units, over
20 90 percent of which were affordable and, after
10:27:26

21 rehab rents, under 90 percent of area median
22 income; and that this number of units that were
23 benefited last year was less than the average of
24 the prior six years. So it's an ongoing type of

97

1 operation.

2 It's possible because of bank leadership.
3 Not only is Bank One, as the largest bank in the
4 area, our largest investor sharing in -- already?

10:28:04 5 Well, anyhow, you got the point, and I think that

6 there's every reason to believe that this will
7 continue, and I support the merger.

8 MS. BRAUNSTEIN: Thank you.

10:28:22 9 MR. MARZAHL: My aim is to avoid being beeped
10 here today.

11 I really want to commend, first of all,
12 the Federal Reserve Bank for holding this
13 hearing --

14 MS. BRAUNSTEIN: I'm sorry, please state your
15 name.

10:28:26 16 MR. MARZAHL: My name is David Marzahl. I'm
17 the Executive Director of the Center for Economic
18 Progress.

19 I believe the hearing last week in
20 New York and the one here in Chicago are very
10:28:34 21 important as part of building the kind of public
22 discourse that's needed around significant changes
23 brought about by mergers such as this.

24 The Center For Economic Progress is a

1 Chicago-based organization that seeks to increase
2 economic opportunities for low-income families,
3 children and individuals by improving access to
4 financial resources and services, something that
5 we've heard a lot about today. Specifically, we

10:28:56

6 seek to promote economic empowerment and encourage
7 self-sufficiency through our direct service,
8 advocacy, outreach and technical assistance
9 programs.

10 We at the Center have the privilege of

10:29:08

11 having strong corporate partnerships with companies
12 such as Bank One, while also participating in
13 numerous coalitions that promote community
14 reinvestment and responsible financial services
15 practices including the Chicago CRA Coalition, the

10:29:20

16 Monsignor John Egan Coalition to Stop Payday
17 Lending, and Financial Links for Low-Income People,
18 among others. The Center also houses the National
19 Community Tax Coalition, a 300-affiliate coalition
20 that promotes access, opportunity and

10:29:36

21 asset-building through the tax code for the working

22 poor.

23 Sophie Guerra, who's a CRA officer for
24 Bank One out of Dallas, Texas, serves on the

99

1 Steering Committee of the National Community Tax
2 Coalition and actually is the only banker on the
3 Steering Committee.

4 The Center has a unique vantage point
5 given our dual service and advocacy mission. Our
10:29:56

6 Tax Counseling Project is the largest free-income
7 tax preparation program in the country. It is
8 volunteer-driven and it is a community-based
9 service program that recently surpassed

10 \$100 million in tax refunds generated as mentioned
10:30:10

11 earlier. With 28 locations statewide and more than
12 1000 volunteers, the Project would honestly not be
13 so successful without incredibly strong support
14 from local government and from local foundations
15 and corporations, Bank One among them.

10:30:26

16 Having just completed our tenth year of

17 service on April 15th, Thursday of last week, the
18 Project's volunteers this year prepared more than
19 22,000 federal income tax returns and an equal
20 number of state income tax returns. Bank One has
10:30:38
21 been outstanding in its support for the Project,
22 recruiting volunteers, promoting our programs and
23 services, and providing in-kind and financial
24 support; and also one of our longest standing

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1 volunteers with the Tax Counseling Project and a
2 board member of the Center is Marilyn Williams
3 Feldt, a recently retired Bank One employee.

4 During our 2003 tax filing seasons,
5 97 Bank One employees donated over 3,277 hours,
10:31:04
6 equivalent to 10 percent of our agency's total
7 volunteer pool. During 2003, Bank One employees
8 directly assisted almost 3,000 families directly,
9 bringing back \$3.8 million in tax refunds.

10 Preliminary numbers from the 2004 tax filing season
10:31:20
11 indicate significant growth in the commitments by
12 Bank One volunteers.

13 Based on the bank's proven commitment and
14 support, the Center will be recognizing Bank One
15 with its Corporate Leadership Award at a special
10:31:32
16 luncheon we're holding here on May 25th.

17 As the possible Bank One, J. P. Morgan
18 merger has been moving forward, the Center has
19 received direct and forthcoming communication from
20 the bank about its commitment to Chicago's
10:31:44
21 nonprofit sector, future economic development
22 investments, and its support for free tax
23 assistance for the working poor, not only in
24 Chicago and throughout Illinois but in other parts

101

1 of the country as well.

2 We are particularly pleased by the
3 recently announced commitment the bank has made to
4 a financial education office in the future.

5 The Center has also participated as a
10:32:06
6 member of the Chicago CRA Coalition in negotiations
7 with J. P. Morgan Chase and Bank One and has been

8 pleased in the "good faith" they have demonstrated
9 in agreeing to a memorandum of understanding about
10 CRA goals for the future with an emphasis on

10:32:20

11 special products for specific low-income customers
12 as well as additional branches in low- and
13 moderate-income communities throughout the
14 metropolitan area and additional community grants
15 and investments. As director of a statewide

10:32:32

16 organization, I could only wish -- as director of a
17 statewide organization, I only wish the bank would
18 have similar memorandums of understanding for
19 downstate Illinois cities, some of which are
20 severely distressed.

10:32:46

21 Based on the evidence presented, the
22 Center supports the merger from our vantage point
23 here in Chicago. However, we do not feel qualified
24 to comment on the bank's overall CRA and

102

1 fair-lending performance across the many states in
2 which Bank One and J. P. Morgan Chase maintain a
3 presence. I think other people are much more

4 equipped to testify.

10:33:04 5 I want to thank everyone for the

6 opportunity to testify today.

7 MS. BRAUNSTEIN: Thank you, and you did beat

8 the buzzer. Thank you to our entire panel, and

9 will the next panel please come forward.

10:34:08 10 Welcome to our next panel. As before,

11 please state your name and organization when you

12 begin speaking, and please be mindful of the

13 timekeeper. Each speaker has five minutes. And

14 with that, we'll get started.

10:34:28 15 MS. WILLIAMS: Good morning. My name is

16 Marva Williams, and I am Senior Vice President of

17 the Woodstock Institute.

18 The Woodstock Institute is a nonprofit

19 located here in Chicago that is dedicated to

10:34:36 20 increasing credit and capital to lower income and

21 other underserved communities. The Woodstock

22 Institute convenes the Chicago CRA Coalition, which

23 is an association of about 100 community

24 organizations throughout the Chicago region. The

1 Institute is also a member of the National
2 Community Reinvestment Coalition, the Coalition for
3 CDFIs, the Illinois Coalition Against Predatory
4 Lending, and the Monsignor John Egan Campaign for
5 Payday Reform.

10:35:04

6 As you all know, Chicago has a long
7 history of CRA activism, and the birth of the
8 movement was here in the city spearheaded by
9 Gale Cincotta, and that led to the HMDA Act in 1975
10 and to CRA in 1977.

10:35:18

11 In 1983, the first reinvestment agreements
12 in the country were signed here in Chicago with
13 Northern Trust, Harris, and First Bank of Chicago.
14 Since then, there have been regular agreements as
15 First Chicago and the successor bank, including a

10:35:34

16 tax breaking agreement with the Chicago CRA
17 Coalition in 1998 on the occasion of this merger
18 with Bank One.

19 On hearing the news of the proposed
20 Bank One and J. P. Morgan Chase merger, the Chicago

10:35:46

21 CRA Coalition approached both banks to renew that
22 agreement which would have expired at the end of
23 this year. Both banks agreed to discuss their
24 future CRA activity at a public meeting convened by

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1 the Coalition attended by over 100 people.

2 The banks and the Chicago CRA Coalition
3 have negotiated a memorandum of understanding of
4 CRA goals for the six-county region for 2004
5 through 2009. In contrast to national budgets,

10:36:18

6 which are often nonquantifiable or tailored to meet
7 the local needs of lower income consumers, the
8 memorandum establishes concrete goals for home
9 loans, small business loans, branches and lower
10 income communities, and community development

10:36:32

11 grants and investments. The bank will also provide
12 details of any bulk purchases of mortgage loans for
13 the purpose of improving its CRA performance so
14 that the coalition can subtract those numbers with
15 considering the bank's overall performance.

10:36:48

16 Since the living goals are based on market
17 share ratios and since Chicago is an increasingly
18 competitive market, the goals also include the bank
19 aspiring to be one of the top five mortgage
20 originators in this region. The goals also contain

10:37:02

21 details including down payment assistance, a strong
22 real estate workout unit, and the continuation of
23 SBA loans, including the Community Express Program.

24 Thus, Chicago CRA Coalition considers that

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1 the targets set in this memorandum are strong and
2 sound and will lead to significantly increased
3 loans, services and investments. We do not,
4 however, agree on everything, and we will continue
5 to discuss with the bank its involvement in payday

10:37:32

6 lending, offering of refund anticipation loans, and
7 the way in which the bank performs due diligence on
8 warehouse and trustee loans.

9 We are pleased with the goals set out in
10 the memorandum of understanding; however, we regret

10:37:48

11 that the bank did not enter similar discussions
12 with community stakeholders and other markets. In
13 our view, such local specific goals increase CRA
14 activity, a view supported by a recent study by the
15 Joint Center for Housing Studies at Harvard.

10:38:06

16 I would also like to add that we regret
17 that the Federal Reserve Board and other bank
18 regulators do not consider bank performance in
19 relation to CRA agreements and exams. It is
20 interesting that the regulatory agencies also

10:38:18

21 complain about the girth of community input on CRA
22 examinations. Yet, regulators will not consider
23 agreements based on considerable community input
24 that very much reflect local conditions and needs.

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1 The Chicago CRA Coalition and the
2 Woodstock Institute very much welcome our
3 memorandum of understanding. However, the
4 Coalition neither supports nor opposes the merger.
5 Large bank holding companies are very complex
6 organizations and are involved in a multiplicity of

10:38:44

7 activities that impact lower income communities.

8 The Chicago CRA Coalition nor the Woodstock

9 Institute cannot possibly examine all of the

10 activities of the largest banks and, therefore,

10:39:00

11 cannot comment on the merger application.

12 I appreciate the opportunity to testify at

13 this hearing. I think that the Federal Reserve and

14 other regulator hearings for bank mergers and

15 acquisitions are very important, and I thank you

10:39:14

16 for the opportunity.

17 MS. BRAUNSTEIN: Thank you. Bruce?

18 MR. GOTTSCHALL: Good morning. My name is

19 Bruce Gotschall. I'm the Executive Director of the

20 Neighborhood Housing Services of Chicago. Thank

10:39:24

21 you for the opportunity this morning to be able to

22 comment on the merger and be here this morning.

23 NHS has had a strong partnership with

24 Bank One for more than 25 years, and I would like

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1 to outline some of the highlights.

2 Bank One has been a substantial investor
3 in NHS in the Chicago neighborhoods. They have
4 been a significant investor in NHS's Chicago Family
5 Housing Fund, helping families become homeowners
10:39:48
6 and in providing purchase rehab financing for new
7 homebuyers. In addition, they have invested in the
8 NHS NORMAL Loan Fund to refinance borrowers from
9 problem predatory and subprime loans. Most
10 recently, Bank One made a \$9 million investment to
10:40:04
11 NHS of Chicago \$100 million community development
12 loan fund.

13 In addition, Bank One employees
14 participate on NHS boards both at the city-wide
15 level and our neighborhood offices and on the NHS
10:40:16
16 Redevelopment Corporation. NHS provides homebuyer
17 education for Bank One employees in the bank's
18 Employer-Assisted Housing Program; and, last year,
19 NHS of Chicago provided education and counseling
20 for more than 50 Bank One borrowers.
10:40:32

21 NHS refers counseled and prepared
22 potential borrowers to Bank One for lending as part
23 of the Employer-Assisted Housing Program of the

24 University of Chicago and the University of Chicago

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1 Hospitals, the North Lawndale IDA program and the
2 Section 8 "Choose to Own" program. And very
3 importantly, Bank One has helped NHS's mission
4 through generous contributions to its general
5 operations as well as by funds to match the Steans

10:40:58

6 Family Foundation for the NHS activities in the
7 North Lawndale neighborhood.

8 NHS appreciates the strong partnership
9 relationship it has with Bank One. The local
10 presence, market understanding and commitment have

10:41:12

11 been important to that partnership. Community
12 development lending and investment require this
13 commitment and capacity, and we hope for a strong
14 continuation of this presence.

15 Our hope is that the partnership with NHS

10:41:22

16 of Chicago and Chicago's neighborhoods will grow as
17 J. P. Morgan Chase and Bank One Corporation merge
18 into a new enterprise.

19 I would like to emphasize an issue of
20 great importance to the neighborhoods of the City
10:41:36
21 of Chicago and to NHS. That issue is the high
22 foreclosure rate that threatens to undo the home
23 ownership and community development gains made over
24 the last several years and threatens to destabilize

109

1 the city's low- and moderate-income neighborhoods.
2 Foreclosures in Chicago are huge. In 2002
3 alone, 9,427 foreclosures were initiated, which is
4 up 91 percent from 1993. A vast majority of these
5 foreclosures are concentrated in low- and
10:42:06
6 moderate-income neighborhoods. Both J. P. Morgan
7 Chase and Bank One, in their origination loan
8 servicing and trustee capacities, have a major
9 presence in the financial transactions that provide
10 the capital for many of these loans that make up
10:42:20
11 the high foreclosure statistics.

12 The City of Chicago, in partnership with
13 NHS's Home Ownership Preservation Initiative,
14 recently unveiled an innovative program that allows

15 Chicago residents to call the City's 311
10:42:32

16 nonemergency number for help at the first sign of
17 mortgage delinquency. At a press conference last
18 month, Mayor Daley stated, "Foreclosures can
19 devastate neighborhoods . . . Just one or two
20 vacant, boarded-up houses can send a residential

10:42:48

21 block on a downhill spiral. So we are making it as
22 easy as possible for families to get help."

23 We are glad to say that Bank One and
24 J. P. Morgan Chase are already participating as

110

1 part of this Home Ownership Preservation
2 Initiative. In fact, they have been some of the
3 first to work at special loss mitigation efforts to
4 save families from foreclosure and have provided
5 foreclosed buildings to NHS of Chicago for rehab

10:43:14

6 and resale to homeowners.

7 But foreclosure is a significant and
8 complex issue that requires ongoing collaboration
9 and innovation on the part of major players in the

10 mortgage servicing industry. J. P. Morgan

10:43:26

11 Chase/Bank One can act as a model by providing

12 high-level decision-making authority, resource

13 commitment and local staffing dedicated to the

14 issues of foreclosure prevention through loss

15 mitigation and responsible REO disposition. We

10:43:42

16 need J. P. Morgan Chase and Bank One's help and

17 expanded partnership to stem the negative impact of

18 foreclosures on neighborhoods and families.

19 We are extremely glad to hear of the Home

20 Ownership Preservation office announced last week

10:43:56

21 by J. P. Morgan Chase and Bank One. We look

22 forward to working with the new enterprise to

23 increase the effort to help people and to keep

24 people in their homes whenever possible and

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1 disposing of foreclosed properties responsibly. An

2 increased level of partnership would represent a

3 value added to both Chicago's neighborhoods and

4 J. P. Morgan Chase/Bank One.

5 Thank you very much for the time.

10:44:22

6 MS. BRAUNSTEIN: Thank you.

7 MS. BOOKER: Good morning. I'm Jan Booker, and

8 I'm a retired teacher and a long-time ACORN leader

9 from North Lawndale. This morning, I thank you for

10 the opportunity to speak. I'm taking Mary Hollis's

10:44:36

11 place. She's with housing at the ACORN.

12 ACORN is the nation's largest community

13 organization of low- and moderate-income families

14 with over 150,000 member families organized in more

15 than 60 cities across the country. In the late

10:44:52

16 '70s in St. Louis, Missouri, ACORN filed the first

17 protest against the Community Reinvestment Act.

18 Since then, we have developed CRA partnerships with

19 dozens of lenders throughout the United States.

20 These partnerships have delivered billions of

10:45:08

21 dollars to underserved communities.

22 ACORN has been in productive discussions

23 with the senior management of J. P. Morgan Chase

24 and Bank One for the past two months. We have good

1 things to say about the opportunities created by
2 this proposed merger. The bottom line is that
3 Chase and Bank One are looking at community-based
4 organizations as the way to deliver credit to
5 underserved communities.

10:45:34

6 We do have two areas of concern that we
7 are still discussing with the bank. One of these
8 areas is the Refund Anticipation Loans. These are
9 expensive loans supplied through tax preparation
10 offices based on tax refunds and earned income tax

10:45:48

11 credits. Low-income working families lose hundreds
12 of millions a year to these loans, even though tax
13 filers can get their refunds deposited in their
14 accounts in ten days to two weeks without paying
15 anything extra. As we began these discussions,

10:46:04

16 Bank One has heard our concerns in this area, and
17 we hope that we will be able to make progress on
18 these concerns.

19 We have been in discussions with Chase on
20 their best practices with regard to subprime loans.

10:46:14

21 There are some elements of their best practices

22 that we think are very good, like the fact that
23 they do not sell any add-on products like credit
24 insurance or auto security plans with their

113

1 subprime loans; also the fact that they do not have
2 mandatory arbitration clauses; and the fact that
3 they have a policy requiring net benefit to the
4 borrower. There are other areas where we think
5 they should do better with their best practice
10:46:44
6 standards needs. Okay. They need to have these
7 clear limits, but Chase on these limits are silent.

8 For example, they continue to sell
9 pre-payment penalties which extend up to five
10 years, and it has not followed the example of some
10:47:02
11 other lenders which limit total points and fees on
12 subprime loans to 3 percent. In this area, we
13 expect to continue talking with them and hope to
14 make further progress on these concerns.

15 Our communities need more investment
10:47:16
16 capital. We want to recognize that the Bank One
17 and Chase leadership have stepped forward to make

18 funds available and to expand their support and use
19 of community-based organizations. We at ACORN will
20 continue to push for more mortgage lending for our
10:47:32
21 neighborhoods and more housing that our people can
22 afford. Chase and Bank One have shown that they
23 are going to be part of this push, too, and we
24 thank them for that.

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1 MS. BRAUNSTEIN: Thank you.

2 MR. SHALLOO: My name is Marty Shaloo, and I
3 am the Director of Development at ACORN Housing.

4 ACORN housing is an 18-year-old
5 organization established to build and preserve
10:47:58
6 affordable housing. Since its inception, we
7 assisted over 55,000 families to become first-time
8 homeowners and have built or rehabilitated over
9 900 housing units. We thank the Board for holding
10 these public hearings and providing us with an
10:48:16
11 opportunity to express our views.

12 ACORN housing has had a long relationship

13 with Chase. It has provided innovative products
14 and projects. They were one of the first banks to
15 develop a multi-state lending and counseling
10:48:32
16 program with ACORN housing. Unlike other banks,
17 they apply the same mortgage program to both the
18 bank and the mortgage company products. And in
19 New York, Chase's community development team has
20 financed many of our development ventures.

10:48:46

21 We're pleased to see that the bank is
22 planning to launch an ambitious mortgage program
23 for low- and moderate-income in minority
24 communities. This program will incorporate the

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1 strengths of community-based organizations and
2 housing counseling organizations. The underwriting
3 will be responsive to the needs of qualified
4 underserved borrowers. The product will reflect
5 the housing stock of urban America, including
10:49:14
6 single-family, two- and three-unit
7 homeowner-occupied houses, condominiums and co-ops.

8 The program will benefit first-time borrowers and
9 breaks new ground on immigrant and low-income
10 borrower credit issues.

10:49:30

11 The program will also benefit existing
12 homeowners in older urban areas. They will have
13 access to affordably priced refinance mortgages,
14 both for rate reduction and for debt consolidation
15 and home repair. These loans allow prime borrowers

10:49:44

16 to access more of their equity without paying an
17 interest premium.

18 In the past, mortgage lenders have left
19 these higher LTV debt consolidation loans, even
20 those to prime borrowers to the subprime lenders

10:49:58

21 which ate up the home equity with fees and with
22 higher interest rates. The new product would allow
23 qualified homeowners to tap their home equity for
24 long-term expenses by working with trained housing

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1 counselors to manage these expenses. This will
2 fill a major gap in the urban credit marketplace
3 and establish an affordable alternative to

4 predatory lenders.

10:50:26 5 The bank and ACORN Housing are continuing

6 to work toward a top-notch subprime product that
7 will benefit low- and moderate-income and minority
8 borrowers. This product will have loan-to-values
9 up to 95 percent in affordable pricing.

10:50:42 10 Although our discussions are far from

11 complete, Chase has engaged in good faith, and it
12 is our expectation that they will reach a
13 satisfactory conclusion.

10:50:56 14 Putting the Chase community development
15 team in front and letting them drive the affordable

16 housing development financing answered one of the
17 concerns we had about the merger. To increase the
18 stock of affordable housing, the critical need in
19 all of our cities, the bank will expand the highly
20 successful New York City based Recoverable Grant

10:51:12 21 Program and other development financing programs
22 into other bank cities. For years, the Recoverable
23 Grant Program has provided flexible funds that have
24 been critical to the success of our New York

1 project.

2 We applaud the Chase J. P. Morgan team for
3 expanding both the geographical reach of this
4 program and for key underwriting changes that will
5 enable the funds to be used for additional uses.

10:51:34

6 We also look forward to the bank providing much
7 needed development capital through equity
8 investments and tax credit purchases.

9 Chase has been a value partner in our
10 development and home finance work for many years.

10:51:50

11 We look for Chase to continue to provide financing
12 for affordable housing development opportunities
13 and to provide affordable mortgages for low- and
14 moderate-income borrowers we work with. Thank you.

15 MS. BRAUNSTEIN: Thank you.

10:52:04

16 MR. GORDON: Hi. My name is Andy Gordon, and
17 I'm President and CXO -- that's Chief Xeroxing
18 Officer -- of the Arizona MultiBank Community
19 Development Corporation. I appreciate the Federal
20 Reserve Bank of Chicago holding this public

10:52:22

21 meeting.

22 I want to take this opportunity to bring
23 to your attention Bank One's tremendous leadership
24 in creating and supporting Arizona MultiBank.

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1 Arizona MultiBank does not take exception to the
2 proposed merger; and, as you will hear, we have
3 benefited for over a decade from Bank One's strong
4 commitment to addressing credit needs in the
5 community that are legitimate but undermet by

10:52:40

6 traditional banks.

7 Bank One's commitment to Arizona
8 MultiBank's efforts in the enterprise community
9 development finance is above and beyond its
10 substantial \$3 million share of our initial

10:52:52

11 capitalization of \$10.4 million. Furthermore, I
12 have seen over the years Bank One play a
13 significant role in a wide variety of important
14 community development initiatives and forge
15 meaningful partnerships in our community.

10:53:06

16 By way of background, Arizona MultiBank is
17 a nonprofit corporation certified by the Department
18 of Treasury as a CDFI. It provides financing to
19 small businesses, affordable housing projects,
20 nonprofit organizations, and economic development
21 initiatives. Our first loan was the development of
22 a then-only residential facility in Arizona to
23 serve homeless families, and we partnered with
24 Bank One to fund the acquisition and renovation of

10:53:20

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1 this multi-family complex and day-care facility.

2 Since, Arizona MultiBank has provided
3 \$25 million to over 300 projects throughout the
4 State of Arizona. When combined, the senior debt
5 provided by the banks and equity funded by

10:53:44

6 borrowers, nearly \$100 million have been invested
7 in these community development projects. Arizona
8 MultiBank's loans have ranged from \$500 to
9 \$800,000. 15 percent of the dollars have gone to
10 affordable housing projects; 31 percent to

10:54:02

11 nonprofits; and over half to small businesses.
12 Two-thirds of the small business loans have been to
13 women- and minority-owned managed firms; and
14 three-quarters of the loans are less than \$50,000.

10:54:18 15 In the beginning, Bank One almost
16 singularly led the conceptualization of development
17 of Arizona MultiBank and, along with the Arizona
18 Bankers Association, pioneered its equity
19 equivalent capitalization. That, to this day,
10:54:32 20 provides the financial muscle and stability
21 necessary for us to be effective in our line of
22 work over the long term.

23 MultiBank's board is proactive without
24 being reactive. And Bank One has always been there

120

1 to expand MultiBank's financial products in order
2 to address and reach undermet needs in the
3 community. Bank One has been there to work with us
4 on a range of important projects from the
10:54:56 5 construction of the largest Boys and Girls Club in
6 Arizona to financing a start-up lemonade vendor at

7 the Diamondback's new baseball stadium to the
8 development of single-family residents of hundreds
9 of families of migrant farm workers in the Mexican
10 border community of San Luis to the funding of the
10:55:10

11 first SBA licensed small business investment
12 company that had a new market emphasis. Bank One
13 was there and is the largest bank in Arizona and
14 I'm confident it will continue to be there.

15 We are counting on their commitment to
10:55:24

16 MultiBank and the community; and, together with
17 Bank One and our other financial community
18 partners, we will grow and do more for the people
19 and the economy of Arizona.

20 Arizona is more than sunshine, great
10:55:34

21 weather, the Grand Canyon, wealthy retirement
22 communities, and Cubs' fans. Also, it's one of the
23 widest gaps between the rich and the poor, and our
24 brand of community development finance serves as an

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1 economic engine to help again to build wealth for

2 small business owners, families and communities.

3 There's much to be done in Arizona. We

4 will have new opportunities to partner with Bank

10:55:58

5 One, J. P. Morgan Chase, and we will be as

6 successful as our collective strength.

7 The credit culture of community

8 development is one of disciplined flexibility. In

9 my experience, the most successful banks in the

10:56:10

10 area of community development in Arizona have been

11 those that have a specialized credit chain with

12 seasoned community development lenders working

13 locally and relying on their relationships and

14 market instincts to seize upon opportunities and

10:56:24

15 support projects that are not only important to

16 themselves but are important as building blocks for

17 scaleable impact and systemic change in the way

18 capital reaches low- and moderate-income persons

19 and communities.

10:56:34

20 The credit decisions that are made locally

21 tend to be timely, responsive, and push the

22 envelope without compromising the credit quality.

23 Bank One community development lenders have

24 effectively utilized Arizona MultiBank to help

122

1 mitigate the financial risk of these kind of deals,
2 to spread the expense of high-touched due diligence
3 and administration and to provide concentrated and
4 complimentary expertise in the area of community
5 development and finance.

10:56:58

6 It is important to build on our successes,
7 accelerate our impact, and it looks like the
8 announced \$800 billion commitment of the merge
9 banks provides a framework for that to happen soon
10 in Arizona. Overall, Bank One -- is good.

10:57:10

11 MS. BRAUNSTEIN: Nice wrap-up. Thank you.

12 MR. GORDON: Does anybody want to yield their
13 time to me?

14 MS. LANGENDORF: Good morning. My name is
15 Jean Langendorf, and I serve as Executive Director

10:57:32

16 of the United Cerebral Palsy of Texas, or UCP
17 Texas.

18 UCP Texas serves as the lead agency for

19 the Texas Home of Your Own, HOYO, Coalition, a
20 private -- public private partnership designed to
10:57:44
21 provide home ownership opportunities to Texans with
22 disabilities. I'm here today to speak to you about
23 the partnership UCP Texas has had with Bank One
24 over the past five years.

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1 Bank One Texas continues to demonstrate
2 its corporate citizenship and support for improving
3 the quality of life for people with disabilities as
4 a major partner in the Texas HOYO Coalition. Texas
5 leads the nation in the number of people who reside
10:58:08
6 in state-run institutions, group homes, nursing
7 homes, and similar settings. Because of a critical
8 shortage of affordable and accessible housing in
9 our state, UCP Texas formed the Home of your Own
10 Coalition in 1995 as a collective effort to
10:58:20
11 increase housing options for people with
12 disabilities who want to live in the community.

13 Today, the Coalition comprised with
14 disability and advocacy organizations, state and

10:58:34 15 local service providers, state agencies, community
16 groups, statewide lending organizations and others
17 is recognized nationally as a model home ownership
18 program used by people with disabilities.

19 The road to owning a home can be a
20 challenge for anybody, but it can be especially
10:58:46 21 difficult for people with disabilities who often
22 have a limited income and high disability-related
23 expenses. However, some of the biggest obstacles
24 have less to do with finances than they do with

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1 stereotypes and attitudes about where and how
2 people with disabilities should live.

3 Bank One Texas has always viewed people
4 with disabilities who seek home ownership as a
5 valued customer market. Bank One Texas has stepped
10:59:14 6 forward with some financial contributions that are
7 used for direct services and empathy to address the
8 housing and home-buying needs of people with
9 disabilities in Texas. Their investment in UCP's

10 mission allows us to continue developing innovative
10:59:28

11 programs, keeping us on the cutting edge of an
12 ever-changing disability services field.

13 Bank One's support has provided the
14 resources to publish information for people with
15 disabilities, like the resource guide I have
10:59:40

16 distributed with this testimony, and I provided you
17 all with copies.

18 It hasn't just been about funding support.
19 It's about having Bank One representatives in the
20 community where we work to call and provide
10:59:54

21 guidance. It's dedicated positive Bank One
22 employees like Dave Woods, Steve Stokes,
23 Shirley Penn and Sophie Guerra who make an
24 important difference in our ability to serve and

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1 provide housing opportunities to people with
2 disabilities in Texas.

3 Bank One Texas was selected as the
4 recipient of the UCP Texas 2002 Tribute Award for
5 outstanding corporate support of UCP programs and

11:00:16

6 services. The UCP Texas Annual Tribute Award
7 recognizes and honors volunteers, corporate
8 sponsors and other partners that have excelled in
9 their contribution to advance the mission of United
10 Cerebral Palsy of Texas.

11:00:30

11 We appreciate the partnerships we've had
12 with Bank One and we will look forward to working
13 together in the future. We have not had the
14 opportunity to have a partnership with Chase, and
15 we hope with perhaps the merger that can open up

11:00:42

16 some additional doors.

17 We wanted to bring to the attention of the
18 Federal Reserve Bank and others about this
19 population and the need for programs to address the
20 home ownership options and regular housing options

11:00:56

21 for people with disabilities in an integrated
22 community.

23 Thank you, and I will be happy to answer
24 any questions.

1 MS. BRAUNSTEIN: Thank you very much. Thank
2 you to the entire panel. Before starting the next
3 panel, we are going to take a short break. We'll
4 take a ten-minute break until ten after 11. 11:10
5 we will reconvene.

11:01:20

6 (Recess taken.)

7 MS. BRAUNSTEIN: I would like to get started
8 with the next panel. I think what we'll do is get
9 started with Mr. Taft, and then we can always
10 backtrack when our other panelists show up.

11:14:08

11 Again, just to state the ground rules,
12 please keep your eye on the timekeeper. Five
13 minutes per speaker. And state your name and
14 organization at the beginning of your statement.
15 Thank you.

11:14:20

16 MR. TAFT: My name is Bill Taft. I'm the
17 President of Southeast Neighborhood Development,
18 which is a neighborhood-based community development
19 corporation serving the near southeast area of
20 Indianapolis.

11:14:34

21 I'm here to talk about the relationship

22 that we have had with Bank One over the past, more
23 than a decade, and what a positive impact that has
24 made in our community.

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11:15:00
1 Our organization is, as I said, a
2 nonprofit neighborhood-based organization where
3 people in the community determine the priorities
4 for neighborhood revitalization. We have been
5 involved in affordable housing development,
6 commercial revitalization, public space
7 development, neighborhood planning and, ultimately,
8 have invested more than \$30 million into the
9 community through many small projects.

11:15:12
10 Over the past 15 years, we have actually
11 been working with Bank One and its predecessor
12 banks in various kinds of neighborhood development
13 work. The one project of note was our first large
14 project we did as an organization which was the
15 Fountain Block Building. Bank One and a couple of
11:15:28
16 other banks partnered to provide the first mortgage
17 on this renovation of the historic building into

18 apartments for low-income senior citizens and a
19 public library branch.

11:15:40 20 They also were brave enough to be partners

21 with us in the revitalization of an old theater
22 building that had sat vacant for many years, the
23 public Fountain Square Theater building, where a
24 limited liability corporation of our organization

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1 and a neighborhood entrepreneur came together to
2 revitalize a 1920s theater building into a
3 mixed-use project that has been very successful,
4 and the bank was our partner in that project
5 providing a first mortgage.

11:16:10

6 Also the bank has provided financing for
7 many people to purchase homes from our organization
8 as well as other buyers in our community. This has
9 been both through being part of a loan pool through
10 the Indianapolis Neighborhood Housing Partnership,

11:16:24

11 one of our neighborhood partners that works
12 citywide, as well as direct loans from people who

13 are purchasing homes from us.

14 And also they have been very responsive to

15 our desires to reach out in very creative ways in
11:16:36

16 our neighborhood to low-income renters and get the

17 message out about how they can become homeowners,

18 and they have been very supportive of those efforts

19 as well as both financially and with many

20 volunteers.

11:16:50

21 A key area with the bank that has been a

22 supporter of our organization and partner really is

23 through providing lines of credit for our home

24 ownership development efforts. We have purchased,

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1 rehabbed and sold more than 100 homes in our

2 neighborhood; and the bank has, at various times,

3 had a line of credit with us between 100 and

4 \$400,000 that has been a key piece of working

5 capital to allow us to keep that effort going.

11:17:16

6 Again, it's a relatively small but very sustained

7 effort. It has made a big difference in the home

8 ownership market in our neighborhood.

9 The bank has also been a very responsive
10 partner in the sense it has been our banker for our
11:17:30
11 organization's accounts and also providing
12 volunteers and other types of sort of great
13 personal support and advice. It has some great
14 local staff who have been very supportive of our
15 organization in many intangible ways as well.

11:17:46
16 I'm not really qualified to comment on the
17 business aspects of this merger, but I have been
18 through two previous mergers of basically what
19 started out as Indiana National Bank and then NBD
20 and then Bank One and really ended up working with
11:18:02
21 the same people throughout all those three steps;
22 and I guess that experience makes me feel very
23 comfortable moving forward with this merger and
24 that we will continue to have these relationships

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1 with the bank because of this sort of a track
2 record and the history through these previous
3 experiences.

4 In these previous mergers, we continued to
5 have excellent local staff who cared about
11:18:28
6 community development and who are partners who are
7 willing to take risks and working with us. We had
8 our projects continue to move smoothly during these
9 times. The partnerships were maintained, both
10 those tangible project-related partnerships, but
11:18:44
11 also the volunteer relationships; and we have also
12 just seen them continue to be an important part of
13 the community that's focused on neighborhood
14 development in the city.

15 So just to conclude, we have -- again,
11:19:00
16 while there are many aspects of this merger that I
17 don't feel qualified to speak to, I do feel
18 qualified to speak to the kinds of relationships
19 and partnerships that we had at the local community
20 level and what a difference it has made in our
11:19:16
21 neighborhood through the years, and I am confident
22 that will continue to be true. Thank you.

23 MS. BRAUNSTEIN: Thank you. Ms. Prychaud,
24 we'll come back to you.

1 MS. PRYCHAUD: Good morning. I would like to
2 first thank the Federal Reserve for providing the
3 opportunity for me to be here and to share with you
4 the kinds of experiences that I have had in working
5 with Bank One. I confess to you as well that I was
11:19:38

6 here sitting somewhere at this table when the
7 Bank One merger happened several years ago.

8 I'm Rosalind Prychaud, and I'm the
9 Executive Director of the Neighborhood Development
10 Foundation. And as Director, I would be remiss if
11:19:54

11 I didn't pass that information to you to tell you
12 how wonderful we are, how good we are at producing
13 outcomes. So I have made sure that you have that
14 information.

15 In the efforts my organization has
11:20:06
16 referred to, it is a nonprofit 501(c)(3)
17 organization that was established in September
18 1986. Our mission is to educate and assist
19 low-income families to achieve home ownership. We
20 are HUD-approved, the housing counseling agency.
11:20:20

21 Our 12-hour curriculum is approved by Fannie Mae
22 and Freddie Mac, area lenders, local and state
23 housing finance agencies. We have had an
24 independent audit done every year and we're clean.

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11:20:50
1 Since 1986, we have assisted 2300 families
2 to purchase their first home. This number
3 represents over \$113 million in permanent
4 financing. We work hard to prepare our clients to
5 achieve and sustain home ownership. Our record of
6 two foreclosures is also an indication of the
7 success and quality of the program that we provide.
8 Our services include homebuyer training, financial
9 fitness, landlording, and homebuyer advocacy.

11:21:08
10 I'm here today because I want you to know
11 that Bank One is a good partner and that we're
12 proud to have them as one of our partners.
13 Louisiana continues to serve the low- and
14 moderate-income families; and, as we do that, we
15 need good corporate partners of which Bank One has

11:21:22

16 been for quite some time.

17 Bank One supported this demonstrating, not
18 only in the form of improving and providing quality
19 -- I mean, operating dollars, but people resources
20 as well. Lazelle Scott has been an active

11:21:36

21 participant in the Neighborhood Development
22 Foundation, serves on our board. They provide
23 volunteer assistance and technical assistance when
24 we need it.

133

1 We believe that the merger will increase
2 our capacity to have access to resources, and
3 that's very important when you are working in the
4 lower income market.

5 I have learned a lot of things here

11:21:56

6 recently about J. P. Morgan Chase that I did not
7 know. You're not far enough down south where I am,
8 so I have not been able to take advantage of any of
9 the benefits that you bring. So I am looking
10 forward to the expansion.

11:22:08

11 I understand that J. P. Morgan Chase has
12 demonstrated commitment in providing mortgage
13 products that will serve my clients. I understand
14 that J. P. Morgan Chase has an organization that
15 has the sensitivity to working with low-income

11:22:22

16 clients. I also understand from Mark Willis that
17 the underwriters for J. P. Morgan Chase will be
18 accessible, and they, too, have experience with
19 underwriting mortgages, mortgage loans for the low-
20 and moderate-income families. That's important to

11:22:38

21 us. That's important for what we do.

22 You see, the organization -- the
23 origination of underwriting of affordable mortgage
24 loans will make the difference in whether poor

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1 people will have the opportunity to achieve their
2 American dream. This merger will give J. P. Morgan
3 Chase a presence in Louisiana. The merger will
4 expand mortgage opportunities for low- and
5 moderate-income families in our area. So we

11:23:02

6 welcome it.

7 In Louisiana you all give us a lot of
8 credit for a lot of different things. We have an
9 open-door policy. We're not all about partying.
10 We need to have this kind of corporate expansion in

11:23:12

11 our area so that we can better serve our people.

12 Thank you again for the opportunity to
13 come before you and share my experiences with
14 Bank One and encourage you and ask you to support
15 the merger.

11:23:26

16 MS. BRAUNSTEIN: Thank you.

17 MR. FAFOGLIA: My name is Ron Fafoglia, and I
18 am the Executive Director of TSP Hope.

19 First, I'd like to thank the Federal
20 Reserve Board for allowing me to have the

11:23:38

21 opportunity to testify on behalf of the merger
22 between J. P. Morgan Chase and Bank One.

23 TSP Hope is a not-for-profit and
24 affordable housing developer in Springfield,

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1 Illinois. Our organization was started in 1999 in

2 response to the need for safe, affordable and
3 decent ownership-type housing. The residents of
4 the area that we serve compromise 30 percent -- or
5 comprise 30 percent of our board of directors, and
11:24:04
6 they have been instrumental in the development of
7 our policies and procedures.

8 The area in Springfield in which we work
9 is the most depressed area of the city. When we
10 started our agency, the rental rate in our
11:24:14
11 neighborhoods was over 80 percent. Drug houses
12 were common. Trash littered the streets and the
13 alleys. There were many vacant and boarded-up
14 houses; and even the houses that were occupied,
15 with rare exception, were substandard housing.

11:24:28
16 After several meetings with the residents
17 of the area, it was determined that an effective
18 method to improve the quality of life in these
19 neighborhoods was to improve the
20 homeowner-to-renter ratio.

11:24:44
21 Hope not only does rehabilitation of
22 existing homes, where possible, and construction of

23 high-quality homes where rehab is not possible, we
24 are also attempting the homebuyer to become a

136

1 successful homeowner through education. Hope
2 provides at no cost credit counseling, and we are
3 also a HUD counseling agency; money management
4 classes and extensive home maintenance classes. We
5 provide after-sale consultation and counseling,
11:25:10
6 also at no charge. The new homeowners are also
7 encouraged to become members of our neighborhood
8 association which we also support.

9 Bank One not only provided a line of
10 credit to assist the start-up of TSP Hope, but they
11:25:24
11 also provided valuable and continue to provide
12 valuable professional expertise regarding the
13 housing finance aspect of our program. They have
14 committed funds to permanent mortgage financing.

15 They have helped our low-income clients deal with
11:25:38
16 their credit issues. They have been ready to serve
17 whenever money problems have occurred. And,
18 recently, Bank One has awarded Hope a grant to help

19 with down payment and closing costs. Also just
20 before I left, they also awarded -- didn't award
11:25:54
21 us, but they committed to financing our new office
22 building and college classrooms that we're building
23 in our neighborhood.

24 TSP Hope feels that the proposed merger of

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1 J. P. Morgan Chase and Bank One will benefit our
2 organization. With the combination of these two
3 financial institutions, we anticipate a synergy
4 that will make available to us an even greater base
5 of expertise, programs and financial resources.

11:26:18

6 The commitment to the community that these
7 organizations have demonstrated in the past is
8 admirable, and we are encouraged by the additional
9 resources that will become available to us and to
10 our constituents.

11:26:30

11 On behalf of our clients and on those who
12 have benefited from their generosity, TSP Hope
13 strongly supports the J. P. Morgan Chase/Bank One

14 merger. Thank you.

11:26:42 15 MS. BRAUNSTEIN: Thank you.

16 MR. HENRY: Good morning. My name is
17 Norman Henry, and I am President of Builders of
18 Hope CDC in Dallas. We're a community development
19 corporation in the West Dallas area of Dallas,
20 Texas.

11:26:54

21 Almost 13 years ago, I had my first
22 experience with Bank One. We were touring our
23 community, which is a very low-income community,
24 looking at the deterioration of the community.

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1 There were a lot of vacant houses. Over 25 percent
2 of the land was vacant and abandoned. Drug dealers
3 were everywhere. It seemed like a hopeless
4 situation.

11:27:16 5 We asked Bank One would you partner with
6 us to help revitalize this community. And Bank One
7 stepped up to the table and said, yes, we will. We
8 went to Bank One and said, we have some unique
9 credit needs of our homebuyers and home ownership

10 needs, and they designed special programs to help
11:27:32

11 us overcome the barriers of home ownership that our
12 families were facing.

13 The second thing, they came to the table
14 and said, we need to do something different. We
15 need to do a lease purchase program. And we didn't
11:27:46

16 have the financial clout to really do a lease
17 purchase program, but Bank One said, we'll take a
18 chance on you and your families and make that a
19 reality.

20 And the third thing that happened, we were
11:27:56

21 able to get a construction loan to build homes in a
22 neighborhood that had not had new homes in this
23 area for 25 years. There was no lending in our
24 areas and no foreclosures in this particular area

139

1 because the previous banking institutions had not
2 seen the inner city as a profitable venture; but
3 Bank One came into Texas and they came in and said,
4 we want to make a difference in this community and

11:28:24 5 we want to partner with community-based
6 organizations that are committed to making a
7 difference. Bank One has been a tremendous partner
8 in revitalizing our community.

9 I'm speaking from the heart because
10 Bank One is an organization that has a heart. And
11:28:36 11 they are about changing communities in a way that
12 makes a difference.

13 When we built the first home 12 years ago,
14 we sold it for \$54,000. We basically had to give
15 it away almost to get somebody to move to the
11:28:50 16 neighborhood. But since then, 12 years now, that
17 same home will sell for \$92,000. We have more
18 families interested in moving to the area than we
19 have lots and houses for sale.

20 It's been a total transformation, and
11:29:06 21 Bank One was the catalyst for making that happen.
22 They took a risk. They took a chance on coming
23 into an urban area and investing in that area and
24 helping it turn around.

1 So I am excited about Bank One and about
2 the J. P. Morgan Chase partnership because Chase
3 also helped us get started with a start-up grant,
4 and they, too, are investing with us in this
5 neighborhood. And these are two caring

11:29:30

6 corporations that care about our communities. And
7 I see this as a real strength when these two can
8 come together in a significant way to make
9 financial resources more available to groups like
10 ours and to neighborhoods like ours that need it

11:29:44

11 the most.

12 I'd rather see Bank One merge with a
13 caring partner like Chase than a noncaring partner
14 because they are one of the key banking
15 institutions in our community, and we want to make

11:29:56

16 sure that they partner with someone that cares as
17 strong also. And I believe Chase is that type of
18 partner that will bring assets and other resources
19 to the table to help rebuild our community.

11:30:12

20 So, in conclusion, our organization and
21 our neighborhood, we strongly support this effort

22 and we back Bank One 100 percent because of their
23 commitment not just in words but by action in
24 making a difference in communities like ours.

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1 Thank you.

2 MS. BRAUNSTEIN: Thank you very much. Thanks
3 to the panel, and will the next panel please come
4 forward.

5 Just so people in the audience can follow,
11:31:00

6 because they say you can't follow the game without
7 a program, we've had a little bit of change in
8 agenda, and so the panel that is listed on your
9 agenda as Panel 7 has now become Panel 5. So
10 that's who's up now.

11:31:20

11 We will get started with this panel. Just
12 to state the ground rules one last time -- or not
13 one last time but one time for you is that each
14 panelist has five minutes. There are timekeepers
15 right there. Please keep your eyes on those, and

11:31:44

16 you will see the lights as well as hear the buzzer

17 when the time is up. And, additionally, please
18 state your name and organization when you begin
19 your statement. Thank you.

11:31:58

20 MS. DRAZEK: I am Cecelia Drazek. I am

21 representing no one in particular except myself.

22 Bank One and J. P. Morgan Chase propose to
23 merge in order to better "compete" both at home and
24 abroad. Now that we have experienced the

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1 consequences of the consolidating financial
2 services industry, we can see that "compete" is
3 defined as "the ability to eliminate pesky rivals
4 who may offer lower charges for services or higher
5 interest rates on savings".

11:32:20

6 To put this in perspective, the merged
7 institution will have an asset base of
8 \$1.1 trillion. Correct me if I'm wrong, but
9 U.S. Treasury receipts were only about \$2 trillion
10 in 2003.

11:32:32

11 It is time to describe in plain terms the
12 profound risks and dangers we are being asked to

13 ignore so that a behemoth financial services
14 company can be created.

11:32:42 15 The first danger is obvious. The heads of
16 these companies are fallible human beings.

17 Allowing the heads of financial services companies
18 to control such a large portion of the U.S. economy
19 is asking for trouble. They want to make the most
20 money possible, and they simply cannot know

11:32:56 21 everything about everything. We have seen other
22 CEOs exhibit entirely human traits to the detriment
23 of their companies.

24 This merger will create an institution

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1 with arms in investment banking, investment
2 management, insurance, equities and bond brokerage,
3 government securities, mutual funds, asset and risk
4 management, credit cards, as well as traditional
5 retail and commercial banking. They will do

11:33:16 6 business in more than 50 countries.

7 Being human, the head of the new bank has

8 strengths and weaknesses. Is it possible for him
9 to know the exact time to limit the bank's exposure
10 to hedge funds? Can he be sure that this is the
11:33:28
11 right time to buy Argentina's bonds or underwrite
12 the next trans-Asian oil pipeline? Is buying a
13 German submarine company a good idea? Is he smart
14 enough to recognize the computer system that is
15 beyond the reach of terrorists?

11:33:40

16 He has people who do these things, you
17 say. Of course you're right, as long as he knows
18 how to pick the right people and he controls his
19 entirely human impulse to rely on people who agree
20 with him.

11:33:52

21 One only needs to recall the failure of
22 Long Term Capital Management with its
23 Nobel Prize-winning geniuses literally at the helm.
24 They only had one job: Run a relatively small

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1 hedge fund. They made a few bad decisions. When
2 it became clear that LTCM could collapse,
3 Alan Greenspan himself was compelled to arrange its

4 bail-out because its failure could bring down the
5 entire U.S. economy.

11:34:12

6 If the CEO of this merged institution
7 makes a few bad decisions in portions of business
8 on LaSalle, unraveling the mistakes would
9 dramatically affect the economy in the regions
10 where they are dominant players as well as the

11:34:24

11 financial arenas in which they are playing.

12 My second point: Financial service

13 companies have difficulty respecting the law.

14 People here will mention how banks were mandated to
15 reinvest in communities, and the communities are

11:34:36

16 still waiting. However, behemoths do finance

17 illegal SPEs of Enron and Dynegy. Their mutual

18 fund arms engage in illegal trading practices.

19 Their research analysts hype the companies favored
20 by their investment bankers or top managers.

11:34:48

21 Citigroup, the new entity's only rival,

22 provides the textbook example of their difficulty

23 with the law. Citigroup announced the purchase of

24 Travelers Insurance almost a year before the

1 Glass-Steagall Act was repealed. With the guidance
2 of then-Treasury Secretary Robin Rubin, the patron
3 saint of the consolidating financial services
4 industry, Glass-Steagall was repealed, making the
5 Citigroup transaction legal.

11:35:12

6 Within mere months of the repeal,
7 St. Robert Rubin left the Clinton Administration to
8 join Citigroup. I imagine that he had some input
9 into writing the rules that govern the industry
10 today. Normally rules are written into the law,

11:35:24

11 but rules governing financial services were written
12 after this law was passed with the assistance of
13 the industry.

14 Point 3: Behemoths are beyond regulation.

11:35:34

15 They control too much of the economy for the
16 government to do much more than nibble around the
17 edges of their business activities. In a very real
18 sense, the concept of too big to fail is no longer
19 the question. If one of these behemoths has a
20 problem, the general public will probably never

11:35:48

21 know. The behemoths have unlimited access to the
22 highest powers in government who realize the
23 importance of the perception that American banking
24 is sound and healthy. My guess is that heaven and

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1 earth will be moved to ensure that problems are
2 solved without becoming public.

3 Point 4: The behemoth is simply not good
4 for the vast majority of consumers. People here
5 will detail horror stories on individual retail

11:36:10

6 banking. Small business is uniquely dependent upon
7 traditional banking for working capital.

8 The FDIC reports that commercial lending
9 dropped from \$50 billion in 2001 to \$39 billion in
10 2003. Banks do not like to lend when rates are

11:36:26

11 low. Small businesses are being denied loans for a
12 variety of normal reasons, including stringent
13 underwriting, credit worthiness, the demand for
14 extreme documentation, conservative appraisals,
15 strict and unfavorable terms, and requirements to

11:36:38

16 purchase other services from the bank.

17 In a city of behemoths, small business can

18 be strangled for capital; and, therefore, the

19 engine of job growth is slow, unless it hits the

20 roundhouse head on like it has in the past few

11:36:50

21 years.

22 Chicago is supposed to be grateful that

23 the merged entity is keeping its retail banking in

24 Chicago. I would be astounded if they moved.

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1 Midwesterners are known for savings and small

2 business formation.

3 I came here today to let you know that a

4 few of us out here see the consolidation of

5 financial services in the hands of a few behemoth

11:37:10

6 institutions as hazardous and completely

7 preventable. Allowing only a few hands of fallible

8 individuals to control the flow of the nation's

9 wealth puts at unnecessary risk the country's

10 financial resources, the country's tax dollars, the

11:37:24

11 country's long-term health and stability. Thank
12 you.

13 MS. BRAUNSTEIN: Thank you. Mr. Garcia.

14 MR. GARCIA: My name is Dan Garcia, and I work
15 with the Coalition on Homelessness and Housing in
11:37:36

16 Ohio. I want to take time first to thank the
17 Federal Reserve for having me here.

18 My primary duty is to give financial
19 education trainings to low- and moderate-income
20 populations across the State of Ohio. My focus on
11:37:48

21 these trainings is to educate consumers about
22 various predatory lending schemes.

23 Since Bank One moved their corporate
24 headquarters to Chicago several years ago, Bank One

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1 has essentially abandoned community development
2 lending and investments in Ohio. Bank One's CDC is
3 no longer in operation in Ohio with nothing to
4 replace this capacity. Community development
5 lending through Bank One has essentially dried up
11:38:12
6 in Ohio, as has community development investing

7 with painfully few exceptions. The mortgage
8 corporation was sold off with nothing to replace
9 this capacity. Virtually all of the staff at
10 Bank One with strong community development

11:38:26

11 connections to networks around the state has left
12 the bank over the past several years with
13 essentially no replacements.

14 Bank One's past record of community
15 development work has now ground to a virtual halt.

11:38:36

16 This violates the understanding and trust that
17 existed for many years between community groups and
18 Bank One. In the past, community groups knew
19 numerous community development lenders at Bank One
20 they could call on for potential partnerships.

11:38:48

21 This is no longer the case. In fact, how many
22 community development lenders actually work for
23 Bank One in Ohio? Our sense is there are none.

24 We want to see this institution make clear

1 commitments to community development investing and

2 lending.

3 In the April 15, 2004, edition of the

4 Columbus Dispatch, J. P. Morgan Chase spokesman

11:39:14

5 Thomas Johnson said, "We do not support predatory

6 lending in any way, shape or form. The company has

7 procedures that prevent it from writing, buying or

8 backing loans with these characteristics."

9 Since I have been working with Predatory

11:39:24

10 Lending in Ohio, I have talked with consumers that

11 have had loans through Chase that have had

12 predatory characteristics in them, such as inflated

13 appraisals. I noticed as well that Chase shows a

14 disregard for basic communication between

15 themselves and the consumer.

11:39:38

16 The merger application discusses how Chase

17 has developed a "referral out" system to refer

18 subprime applicants to prime loans in cases in

19 which they qualify for prime loans; but the merger

11:39:48

20 application does not provide numbers or percentages

21 of subprime applicants that have been referred to

22 prime loans.

23 Given the volume of Chase's subprime

24 lending and its position as one of the big three

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1 lenders in the industry, the Federal Reserve Board
2 must require a comprehensive series of reforms and
3 due diligence procedures for Chase's subprime
4 lending. Only comprehensive reforms can assure
5 that the bank will meet the needs of the community

11:40:10

6 consistent with safe and sound lending practices.

7 Clearly, both of these institutions have a
8 less than stellar track record in the mortgage
9 lending area.

10 In Cincinnati in 2002, 29.6 percent of the

11:40:20

11 1,172 loans made by Chase were to LMI borrowers
12 versus 32.7 percent made by all lenders in 2002.

13 In Columbus, 20.5 percent of Chase's

14 1,236 loans were made to LMI borrowers versus

15 30.3 percent to this group by all lenders.

11:40:42

16 9.8 percent of Chase's loans went to LMI tracts

17 while 12.4 percent of loans by all lenders went as

18 a whole to LMI tracts in 2002.

19 In Dayton, 27.1 percent of the 446 loans
20 made by Chase went to LMI borrowers while
11:40:58
21 33.9 percent of the loans made by all lenders went
22 to this group in 2002.

23 In rural Ohio, 25.6 percent of the
24 3,923 loans made by Bank One went to LMI borrowers

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1 while 28 percent of all lenders' loans went to LMI
2 borrowers. Bank One made 10.2 percent of its loans
3 to LMI tracts versus 12.8 by all lenders in 2002.

4 In Ohio in 2002, Bank One made 32 percent
5 of its 1,364 loans to LMI borrowers while all
11:41:28
6 lenders maybe 36.4 percent of their loans to this
7 group.

8 According to NCRC's Best and Worst Lenders
9 report, in 2001, Bank One ranked 39th out of the 40
10 top lenders in Cincinnati in percent of loans to
11:41:44
11 minority borrowers making 1.18 percent of its loans
12 to this group. Bank One ranked 26th in percent of
13 loans to LMI borrowers and 31st in loans to female
14 borrowers.

11:42:00 15 Chase ranked 26th of 40 in loans to
16 minority borrowers. In Cleveland, Chase made
17 6.6 percent of its 622 loans to African-American,
18 Hispanic borrowers versus 11.5 percent of the loans
19 made by all lenders. Chase made 4.7 percent of its
20 loans to minority tracts while all lenders made
11:42:16 21 7.0 percent in 2002.

22 According to NCRC's Best and Worst Lenders
23 report, in 2001, Chase ranked 24th out of the top
24 33 lenders in Cleveland in loans to minority

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1 borrowers with 6.55 percent going to this group.
2 Chase ranked 21st in both minority denial disparity
3 ratio, 3.38, and in percent of loans to minorities,
4 33.38 percent.

11:42:44 5 In Columbus in 2002, Bank One made
6 24.2 percent of its 330 loans to LMI borrowers,
7 whereas all lenders made 37.0 of their loans to
8 this group. That's it. Thank you.

9 MS. BRAUNSTEIN: Thank you. You can submit the

10 rest of your testimony in writing. Thank you.

11:43:04

11 Mr. Davenport.

12 MR. DAVENPORT: Yes. First of all, thank you

13 very much, representatives of the Federal Reserve,

14 for having me. My name is Rudy Davenport, and I am

15 President of the Springfield Branch of the NAACP,

11:43:20

16 and I'm also a member of the Central Illinois

17 Organizing Project. We have other members of the

18 Central Organizing Project, Central Illinois

19 Organizing Project. I would just ask that you

20 would stand for a minute if you happen to be in the

11:43:36

21 room. Thank you very much.

22 Are there any people from the bank here,

23 Bank One?

24 A VOICE: Yes. I testified earlier. I have

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1 been here the whole day.

2 MR. DAVENPORT: Thank you. I did have a

3 handout. It's from the NAACP with regard to the

4 diversity report card, and that should be available

5 to the panel, to the members.

11:44:04

6 And if you'll notice on that report card,
7 Bank One received an F. That is the worst grade
8 that any bank of the major banks surveyed could
9 receive. And with regard to diversity, I think
10 that that attitude permeates down through the

11:44:22

11 organization because we see from the data that we
12 get, especially in Springfield, that Bank One is
13 really a company that does not value diversity or
14 even seeing that there's a modicum couple of
15 equality existing with regard to their operations.

11:44:46

16 In fact, this particular chart -- and of
17 course the colors that I ask your direction to
18 happens to be the red. And the red as you can see
19 in year 2000, it was pretty well equal to the next
20 bar on the graphic, which is the white low-income,

11:45:06

21 the one to the left; and you could see where that
22 disparity increased over 2001 where the disparity
23 rate; that is, the loans actually given to black
24 people of light income and qualifications were

1 almost 50 percent more for the white population
2 than it was for the black population.

3 So these are major concerns with the
4 NAACP. But, again, we think that this merger is
5 really not in the best interest when we have a bank

11:45:46

6 who's shown that they really do not care about
7 making progress as far as diversity is concerned in
8 their operations.

9 Now Central Illinois Organizing Project,
10 we are a part of it, that is, the NAACP, and we are

11:46:04

11 a faith-based community organization that
12 represents over 20,000 families throughout Central
13 Illinois through churches at various community
14 organizations such as the NAACP.

15 Bank One's history of disparity and

11:46:22

16 lending based on race is of great concern to us and
17 for all of the Central Illinois community.

18 We have tried to be good partners with
19 Bank One. We have tried to work with them. In
20 fact, we reached an agreement, a written agreement,

11:46:42

21 trying to get that working, but that has always

22 become stalled. They seem to -- when it comes to
23 performance, they seem to be behind the curve on
24 that.

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1 The data that I showed you is deplorable
2 enough in itself, but this is in the context --
3 that's why we need a written partnership with them
4 as other community organizations need a written
5 partnership with them, the one that will be in
11:47:12
6 force. In fact, we would like for that written
7 partnership to be led by someone from a team with
8 executive authority to see that what we have --
9 okay, first, the NAACP needs them to respond to our
10 request for a survey. They have ignored the NAACP
11:47:32
11 for two years, just in providing basic information
12 that we ask for so that we can provide our
13 constituents with the resource information that
14 they so badly need to make informed decisions
15 concerning their banking.

11:47:52

16 The bank, we need them to get serious

17 about its commitment to our communities and to come
18 to Central Illinois so that we can work together to
19 develop a plan and to make the partnership work.
20 We do need that decision-maker to come.

11:48:08

21 I would just like to close by saying that
22 CIOP is a part of a national coalition under the
23 National Training and Informational Center, and
24 that includes community organizations nationwide.

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1 And we expect and demand that the bank will sign
2 partnership agreements, otherwise, we have a
3 problem even asking for any approval of this
4 merger. Thank you very much.

5 MS. BRAUNSTEIN: Thank you.

11:48:38

6 MR. HUELSKOTTER: Thank you for letting me come
7 here today. I am Larry Huelskotter. I'm a family
8 farmer from Logan County, Illinois. And so
9 everyone asks, why is a farmer here on a
10 multimillion-dollar merger? I am here to tell you

11:49:04

11 why.

12 Agriculture is the backbone of our

13 community; and, in fact, it is by far the biggest
14 industry and in a lot of cases the only industry in
15 rural America. The power and resources of
11:49:18
16 agriculture are just like the problems in urban
17 America where the power and the resources are
18 getting into the hands of only a few people. And
19 Bank One is helping to make this happen.

20 Bank One operates the second largest farm
11:49:34
21 management group in the entire country. And
22 Bank One has a tremendous amount of farmland in its
23 farm management program in our area.

24 And what is Bank One doing with this?

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1 Bank One is hurting the family farmer. How is
2 Bank One hurting the family farmer? They are doing
3 it by structuring the leases so that they favor the
4 megafarmer completely. They are raising cash rent,
5 which is money up front that only the megafarmer
11:50:10
6 can afford to pay, to operate these farms. And the
7 only way that the megafarmer can afford to pay

8 these cash rents is to buy his input in large
9 quantities. So the megafarmer then operates enough
10 land that he can buy his inputs in large quantities
11:50:32
11 and, therefore, cut the input cost.

12 What does this do to our communities? It
13 bypasses all the businesses in our community that
14 make their money serving agriculture. They put no
15 money into the community and they take all the
11:50:50
16 money out. So actually Bank One is helping the
17 megafarmer take the biggest natural resource in our
18 community and are taking it right away from our
19 community.

20 One of the things that has happened is
11:51:06
21 that we had a third-generation farmer. These
22 people have been farming this farm for three
23 generations. Bank One had managed this farm for a
24 long time. This year they just took off the local

158

1 farmer which bought all of his inputs locally and
2 spent most of his profits locally and gave it to a
3 megafarmer which travels 75 miles to farm this

4 farm.

11:51:34 5 Now there's only one way they can do that,

6 and that's do it with shear speed. So, therefore,

7 they care nothing about soil stewardship. In most

8 cases, they do not fertilize the soil. If there's

9 hills in the field, they farm up and down them

11:51:52 10 because they don't have time to go around them

11 because they got to do it with shear speed.

12 So, therefore, they hurt their community;

13 they have no soil stewardship whatsoever; and,

14 therefore, they are very devastating.

11:52:10 15 And Bank One continues to give a bigger

16 and bigger share of the land that they manage to

17 these megafarmers. And only for the all-mighty

18 dollar because they pay a little bit -- a 1 percent

19 more on the return. But Bank One never stops to

11:52:26 20 tell the land owners that their value of their

21 property is going down because there is very poor

22 stewardship practice on this soil.

23 We are here because we think this is part

24 of the CRA agreement which all banks have to honor

1 and because there is disinvestment in our
2 communities and disinvestment in our Logan County
3 alone.

4 We had a study done by the Illinois State
5 University; and by these megafarmers farming
11:53:00
6 6,000 acres in our community and buying none of the
7 inputs there, they took over \$2 million in price of
8 inputs out of our community alone, not counting the
9 profits. And when that kind of money is taken out
10 of anybody's community, that does a terrible thing
11:53:18
11 to the community.

12 So, therefore, we feel that it is time for
13 Bank One to honor its CRA agreement and do things
14 that would put local farmers back to work and rent
15 this land to local farmers which will build the
11:53:36
16 fertility. They will practice good soil
17 stewardship practices; and, therefore, make the
18 property worth more and, at the same time, increase
19 the quality of living in the community. And we
20 also think that they should sign an agreement with

11:53:52

21 us to say that. Thank you.

22 MS. BRAUNSTEIN: Thank you. Mr. Barnes?

23 DR. BARNES: Good morning. My name is Reverend

24 Dr. Eugene Barnes. I'm a board member of the

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1 Central Illinois Organizing Project, Co-Founder and

2 Executive Director of the faith-based community

3 organization in Champaign known as Metanoia

4 Centers. We are busy about the business of social

5 development and building homes for low- to

11:54:20

6 moderate-income families.

7 Allow me to bring to your attention

8 something that basically speaks for itself. These

9 are low-income -- well, census tract. The pink is

10 the low-income census tract. And what is

11:54:42

11 conspicuously absent from the low-income census

12 tract is business by Bank One.

13 For me to sit here and say that there are

14 no good qualities that Bank One has would be a

15 denial of the great work that they have been able

11:55:00

16 to do. But when I look at the Central Illinois
17 area, we notice some glaring disparities. And,
18 basically, Bank One has not made the necessary
19 deposits and investment in the community, whereas
20 everybody, regardless of income or race, would be

11:55:20

21 able to benefit from the vast resources that
22 Bank One has.

23 And we've spoken with Bank One. We've
24 spoke with Chase. And when we last met with

161

1 Mr. Willis, Mr. Willis agreed with us that there
2 were some glaring disparities. But we found that
3 they are unable to commit to a written agreement
4 with us to change these.

11:55:48

5 And so here we find ourselves here today
6 deciding whether or not we want to reward bad
7 behavior. And you don't reward bad behavior. In
8 order to change behavior, what is necessary is that
9 you first must change the way that the thinking --
10 the thinking of the process, and that's what the

11:56:04

11 Central Illinois Organizing Project wants Bank One,
12 J. P. Morgan to do, is enter into a relationship
13 with us where we can amenablely discuss some of the
14 issues that we see that they have.

15 Ooftimes what we find is that in our area
11:56:20

16 is that loan originations, they aren't being
17 undertaken in those communities. And we can look
18 at that chart and we can see that. We can say,
19 well, there is a need. There is a need for

20 Bank One and both Chase Morgan to be able to do a
11:56:36

21 better job than what they're doing. Everybody
22 could do a better job.

23 What we're saying is that we would like
24 for them to come down to Central Illinois, talk

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1 with us and come to an understanding where we can
2 enact a written agreement. Otherwise, what we do
3 is we continue to pat them on the back for not
4 doing a good job. And I don't think that's a good
5 message that anyone, a parent, an educator or a

11:56:58

6 businessman, would want to send out a message that

7 we do reward people for bad behavior.

8 And I think basically what we're really
9 looking at is betrayal of mind. Betrayal of mind
10 comes about when we can -- when we've mentally

11:57:12

11 opposed what we know is morally right. And, at
12 that point, what we're doing, we're actually
13 putting our consciences in a coma. And I think
14 that -- you know, while I believe that one day
15 we're all going to have to give account for the

11:57:26

16 deeds that we've done in the flesh, and when that
17 day comes, I want my conscience to be clear as to
18 what I tried to do for the weak and the wounded
19 than without, those who are unable to articulate
20 what their needs are and lack of necessary

11:57:40

21 resources to have access to what we call the
22 American dream.

23 And we have institutions such as Bank One
24 and J. P. Morgan who have not made that necessary

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1 deposit. And we have offered and we are willing to

2 work with them. We work with other financial
3 institutions, and what those institutions have
4 discovered is that CRA has been a great mechanism
5 in terms of bringing in applicants otherwise not
11:58:06
6 included in there. And I think if J. P. Morgan and
7 Bank One had a little bit more time to consider
8 their actions, they will probably come to the same
9 conclusion. Thank you.

10 MS. BRAUNSTEIN: Thank you very much.
11:58:20

11 Mr. Porter.

12 MR. PORTER: My name is Jack Porter. I'm also
13 with the Central Illinois Organizing Project. I am
14 affiliated with the First Presbyterian Church in
15 Normal which is a member congregation of the
11:58:32
16 Central Illinois Organizing Project. As you have
17 heard, it's a faith-based community organizing
18 effort in Central Illinois.

19 We're also here in solidarity with our
20 sister community organizations and other parts of
11:58:46
21 the country, namely, the Communities United For
22 Action of Cincinnati; the Creston Neighborhood
23 Association of Grand Rapids, Michigan; East Side

24 Organizing Project of Cleveland; the Iowa Citizens

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1 for Community Improvement of Des Moines; Pittsburgh
2 Community Reinvestment Group; Syracuse United
3 Neighbors; South Austin Coalition Community Council
4 of Chicago; Lawndale Neighborhood Organization of
5 Chicago; and Sunflower Community Action of Wichita.

11:59:12

6 Some of our testimony has to do with our
7 particular situation. And you have seen some of
8 the graphs. You've also got the report of National
9 Training and Information Center that outlines some
10 of the problems that have existed within our own

11:59:26

11 region of Illinois; but we're also part of the
12 national coalition, and our testimony is in
13 solidarity with that broader coalition.

14 We believe in the Community Reinvestment
15 Act and we want that to work. Regulators and

11:59:40

16 bankers all pay lip service to Gale Cincotta, the
17 manager of the Community Reinvestment Act,
18 especially now that she has passed. What we're

19 interested in is that being a living statute, a
20 living concept that results in positive investments
11:59:56
21 in our communities' access to credit for home
22 mortgage -- home ownership for low- and
23 moderate-income people of all races.

24 You've heard of the problems that we've

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1 had in Central Illinois with Bank One, and they
2 have been outlined.

3 On the other hand, we do have a written
4 agreement with Bank One and we have an ongoing
5 relationship with Bank One. That means that we
12:00:24
6 have measurable goals and objectives. We have an
7 ongoing monitoring relationship with Bank One.
8 We're able to talk about particular problems as
9 they arise.

10 One of those areas of concern for us has
12:00:38
11 been predatory lending. There have been some
12 instances in which the bank has been associated
13 with predatory or abusive loans and, because of our
14 relationship, that's helped us work out the

15 problems.
12:00:52

16 Ron Bragonier of our delegation from
17 Central Illinois is here. He is one of those
18 people standing there whose loan was worked out
19 because we had an ongoing written relationship with
20 Bank One.

12:01:04

21 So we have in place a mechanism for
22 working on problems. The bank and we have agreed
23 that there are disparities, the kinds of things
24 that have been testified to; but we've been able to

166

1 address them and try to figure out strategies. We
2 haven't gotten it all accomplished, but at least we
3 have a mechanism.

4 When we met with Mark Willis and others
5 from J. P. Morgan Chase on the national level, it
12:01:26

6 was totally dismissed, the idea of a written
7 relationship, a written agreement embodying a
8 relationship by which problems can be addressed
9 which would include ongoing monitoring of the

10 achievement of goals and objectives.

12:01:44

11 Our big complaint is that there needs to
12 be a major attitude adjustment on the part of the
13 leadership of the banks if this merger is to be
14 approved.

15 We want -- we do have one year left on our

12:01:58

16 agreement with Bank One. We've been told that the
17 merged bank would honor that agreement. Of course,
18 we would expect them to do that. But if this bank
19 is to become a much larger entity, we want some
20 responsible person at the national level with a

12:02:16

21 positive attitude toward written agreements with
22 community groups, which we haven't seen from
23 J. P. Morgan Chase. We want someone with a
24 positive attitude to an ongoing relationship with

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1 community groups to come meet with us in Central
2 Illinois so we can discuss the final year of our
3 agreement in the light of the new entity that may
4 be created. We also -- there should actually be a
5 delegation from the banks that would include

12:02:48

6 someone who is able to make decisions regarding the
7 farm management issues that Larry identified.

8 So we want some work done on the final
9 year of our agreement. We want to negotiate a
10 relationship that will continue beyond the next

12:03:06

11 year with this large banking entity; and we want to
12 be part of a national relationship put in writing
13 with this merged bank, if that's what happens, so
14 that goals can be accomplished.

12:03:24

15 How does CRA get enforced? Regulators
16 have a role, but it's really the community groups
17 on an ongoing basis that monitor the failures and
18 successes of CRA. The regulators can help
19 establish the rules and provide data; but, without
20 an ongoing relationship with community groups, it

12:03:44

21 doesn't happen.

22 So we're asking that you deny the merger
23 unless there's a major change in attitude and a
24 commitment to new behavior. Thank you.

1 MS. BRAUNSTEIN: Thank you, Mr. Porter.

2 Mr. Van Tol, you are back again.

3 MR. VAN TOL: I'm not Matthew Lee, but I hope
4 to play one of the bad guys when it makes it to
5 Hollywood.

12:04:08

6 Thank you for allowing me to testify on
7 behalf of Inner City Press & Fair Finance Watch.
8 My name is Hubert Van Tol. I'm testifying for
9 Matthew Lee.

12:04:20

10 This is testimony in opposition to this
11 proposed merger from the nonprofit organization,
12 Inner City Press & Fair Finance Watch, which is
13 based in South Bronx of New York City. ICP and its
14 members believe that there are a number of reasons
15 that this merger should be denied. It would limit

12:04:36

16 competition and raise prices. It would create
17 another to-date-to-fail scandal plague megabank
18 base, for example, on J. P. Morgan Chase's conduct
19 in the Enron and stock research scandals. But in
20 the five minutes allotted, this ICP testimony will

12:04:52

21 focus on the predatory lending from payday lenders

22 to check cashiers in the Bronx and elsewhere, and
23 then even pawn and gun shops nationwide. The
24 bank's eleventh-hour pledge does nothing to address

169

1 these issues.

2 In Bronx County, the lowest income county
3 in Chase's headquarter city and state, Chase has
4 closed more than a dozen branches and now finances
5 check cashiers in the neighborhood in which it

12:05:18

6 closed its bank branches. ICP's written
7 submissions have included as evidence copies of
8 UCC, uniform commercial code, filings both of
9 Chase's financing of check cashiers and rent-to-own
10 businesses and of Chicago-based Bank One's

12:05:36

11 financing of payday lending and even pawn and gun
12 shops.

13 Here not disputed by Bank One or Chase are
14 the names of just some of these Bank One finance
15 companies: Illinois Payday Loans, Incorporated,

12:05:48

16 and, separately, Cash Advance, Incorporated, of
17 Springfield, Illinois; Golden Diamond Exchange Pawn

18 Shop of Urbana, Illinois; First Cash Financial
19 Services, a top-ten pawnshop chain with 130
20 storefronts in 11 states; and First American Cash
12:06:06
21 Advance, a top-ten payday lender with 330
22 storefronts in 11 states, a company which has been
23 extensively criticized for its high-cost lending,
24 particularly to members of the military.

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1 ICP has submitted for the record the
2 Washington Post article of December 29th concerning
3 this issue. As you hear in more detail from others
4 today, including members of the Chicago CRA
5 Coalition, Bank One is also directly engaged in
12:06:32
6 controversial high-cost tax refund anticipation
7 lending.

8 The two banks' responses on these issues
9 including since the April 15th public meeting at
10 the Federal Reserve Bank of New York have been
12:06:46
11 evasive to put it mildly. The Columbus Dispatch of
12 April 15th as submitted by ICP reported, "Bank One

13 is aware of concerns about the type of businesses
14 that ICP has cited and has a small number of
15 lending relationships with those firms," Spokesman
12:07:04
16 Jeff Little said. "We require our customers to
17 comply with the law," he said. "If they comply
18 with the law, we do business with them. A number
19 of community organizations will be speaking in
20 favor of the merger at today's hearings and at the
12:07:20
21 one set for April 23 in Chicago," Little said.

22 With all due respect to those who today
23 testify "in favor of the merger" as the Bank One
24 spokesman put it, ICP questions whether such

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1 testimony rebuts in any way the payday and other
2 predatory lending connections that have been shown.
3 ICP has returned to the research salt mines and
4 found that the connections are even more extensive
5 than presented in ICP's April 15th testimony.
12:07:48

6 Here are a few additional exhibits that
7 ICP is today submitting by fax to the FRB in
8 Washington: An Ohio UCC filing dated December 24,

9 2001, showing Bank One's relationship with
10 AmeriPawn of Hainesville, Illinois. And there's a
12:08:06
11 list of ten more. And I know since I don't speak
12 anywhere nearly as fast as Matt, I will have to
13 skip over those.

14 There are many more, including A-1 EZ
15 Pawn, Peoria Pawn, South Side Pawn and 24-Hour
12:08:16
16 Pawn. I am stopping there because, as it turns
17 out, Bank One, just like J. P. Morgan Chase, is
18 also a funder of check cashiers. For example,
19 Quitties Check Cash, Incorporated -- some of these
20 names you just can't make up -- T&T Check Cash,
12:08:30
21 Incorporated, and AA-Action Check Cashing, LLC.

22 This last company is based in Houston,
23 Texas, where this merger would be anticompetitive
24 as ICP's comments along with the most recent FDIC

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1 deposit data show. Chase is trying to temporarily
2 move billions of dollars out of Houston. This
3 gaming of the system and of antitrust enforcement

4 should not be allowed.

12:08:58

5 Now Hubert Van Tol would stop for that

6 beep, but I know Matthew Lee would not. So let me

7 just finish by saying, in the bank's March 23rd

8 response to the Federal Reserve, J. P. Morgan Chase

9 has requested confidential treatment for all list

12:09:16

10 of payday and other subprime lenders it and

11 Bank One do business with, stating that attached to

12 this confidential Exhibit 10 are names of customers

13 that J. P. Chase believes are payday lenders or

14 providers of refund anticipation loans and business

12:09:32

15 relationships with them. Their list is labeled

16 confidential.

17 ICP has appealed this under the Freedom of

18 Information Act and is demanding that the comment

19 review periods be extended until the bank's list of

12:09:46

20 payday and other subprime lenders are released.

21 On the current record, this merger should

22 be denied, and you should see what I skipped over.

23 MS. BRAUNSTEIN: Thank you very much. And

24 please convey that we missed Matthew coming here in

1 person, although you did a great job in
2 representing him. Thank you to the entire panel.

3 Will the next panel please come forward?

4 Just to state the ground rules for
5 everybody, each panelist has five minutes. Please

12:10:50

6 be mindful of the timekeepers and your time. And
7 please be sure to state your name and organization
8 at the beginning of your statement.

9 And with that, we'll begin with

10 Mr. Murray.

12:11:04

11 MR. MURRAY: Thank you to the Federal Reserve
12 for providing me the opportunity to comment on the
13 merger.

14 My name is Vincent Murray, and I am
15 Executive Director of Bagley Housing Association, a

12:11:14

16 nonprofit housing corporation located in Detroit,
17 Michigan.

18 Our organization since 1995 has been
19 involved in residential revitalization of the
20 majority Latino southwest Detroit neighborhood

12:11:30

21 located at the foot of the Ambassador Bridge, the
22 nation's busiest international border crossing
23 connecting Detroit to Windsor, Ontario, Canada.

24 Over the last seven-plus years, our

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1 organization has built 45 new single-family homes
2 for sale to low- and moderate-income families. We
3 have built a \$6 million 65-unit apartment building
4 for low-income seniors. We have rehabbed over 100
5 units of pre-existing housing as part of our

12:12:06

6 owner-occupied housing rehabilitation program. We
7 have completely refurbished the neighborhood
8 city-owned park.

9 We have restored a dilapidated school

10 building which is now back in use as a charter

12:12:18

11 public high school, 9th through 12th grade, for
12 neighborhood use. We have transformed a dirty
13 former industrial building into a very attractive
14 office, art gallery space which currently houses
15 three new businesses and has created 15 new

12:12:34

16 good-paying jobs in the neighborhood.

17 Now we are in the midst of constructing

18 30 additional single-family homes for low- and

19 moderate-income families and an additional

20 80 for-sale units for the open market. In

12:12:50

21 addition, we are a leader in the revitalization of

22 our 15-block neighborhood commercial retail strip.

23 When we started back in 1995, National

24 Bank of Detroit, NBD, was first to come to our

175

1 table with a small operating support grant to get

2 us going. Then came more substantial construction

3 loans from the bank's Community Development

4 Corporation on behalf of our first for-sale units.

5 As NBD merged into Bank One, the bank's

12:13:20

6 commitment to our projects and operations remain

7 strong. As part of a funders' collaborative, they

8 contributed mightily to the funding, not only of

9 Bagley's operations but also to the operations of

10 15 other Detroit Community Development

12:13:38

11 Corporations.

12 Bank One not only has been a major
13 construction lender to all of our housing
14 initiatives, but also in the steady presence and
15 persons of its CDC president, Don Bailey, and its
12:13:50

16 CRA leader, Jack Schwab, has provided valuable
17 technical assistance and mentoring to me and to
18 other Detroit Community Development Corporation
19 executive directors.

20 Bagley's housing success over the last
12:14:06
21 several years has affirmed the good business sense
22 contained in Bank One's support of us, and it
23 encourages and enables further investment in our
24 activities. I am confident that the commitment

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1 demonstrated by NBD, continued and even
2 strengthened by Bank One organization, will
3 continue within the further merged organization.
4 NBD Bank One has consistently demonstrated concern
5 for the needs of our community organizations and
12:14:38
6 small businesses in Detroit. We expect no less

7 commitment and even greater capacity for support
8 from the larger, stronger merged organization.
9 Thank you.

12:14:54 10 MS. BRAUNSTEIN: Thank you. Ms. Grossman.

11 MS. GROSSMAN: I am Fran Grossman from
12 ShoreBank. I'm going to actually speak mostly
13 about ShoreBank in Chicago.

14 I want to thank everyone here, the Fed and
15 both J. P. Morgan Chase and Bank One, for making
12:15:08

16 this happen, for the opportunity to speak. I'm
17 also really glad I'm not in your places today. I
18 found this absolutely fascinating. I'm also glad
19 that I didn't have to follow Matthew Lee's

12:15:30 20 excellent speech. I have learned an enormous

21 amount today and I trust that everyone in this room
22 has.

23 I guess I would begin almost the way I
24 will end with there really is a lot of work to be

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1 done, and I think what we're seeing here today is
2 only the beginning of the scratching of the

3 surface.

4 I would also like to welcome to Chicago

5 J. P. Morgan Chase. I think they will find the
12:15:50

6 Midwest different. We are solid and steady. We

7 pride ourselves on not being flashy, but I think

8 they will find that we persevere. We're tenacious.

9 Some of us have broader shoulders than others, but

10 we will not give up on making this, Chicago and the
12:16:12

11 Midwest, an important part of the new world for

12 J. P. Morgan Chase/Bank One, whatever the new name

13 would be.

14 I want to tell you a little bit about

15 ShoreBank. ShoreBank is the largest and premier
12:16:28

16 and the first community development financial

17 institution in this country. We are 31 years old.

18 We have assets of about \$1.5 billion. In Chicago,

19 in the past year, we have made loans on 4300 rehab

20 multi-family, walk-up apartment buildings. That's
12:16:54

21 one of our specialties. We're not into high-rise.

22 None of those are subsidized. Actually, the only

23 government lending we do is SBA and the Capital

1 We also are the bank for approximately
2 400 small not-for-profits, most of them with
3 revenues under \$3 million, some of them under a
4 million, some of them barely. We also are the bank
5 for -- the largest bank for small churches, and I
12:17:22
6 think we have a few mosques and a couple of
7 synagogues; but, mostly, these are small churches
8 with congregations of approximately 45 to 150.

9 We do bank some of the megachurches; but,
10 basically, we see ourselves -- our mission is to
12:17:40
11 provide crisp, quality financial services to low-
12 and moderate-income communities. We have
13 approximately 40 to 50,000 retail accounts, and we
14 have begun much more in the last couple of years to
15 get into environmental lending.

12:18:00
16 I would like to say that in all honesty
17 and disclaimer, Bank One is a shareholder. They
18 have been since 1993, '95, and that we had one

19 small grant last year for them when they were
20 trying to look at some work on individual
12:18:22
21 development accounts.

22 We are very optimistic about this merger.
23 We have seen in the last three years the kind of
24 work that Jamie Dimon has done in revitalizing and

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1 redevelopment in some ways of Bank One here. They
2 have become a player again in the civic, community,
3 fabric financial life of this city. And we are
4 optimistic that if he can continue to stay at the
5 helm and provide the kind of leadership that he
12:18:52
6 provided in Chicago that we will see some very
7 interesting and good things.

8 This is not easy. The problems are
9 intense and enormous; but we are committed at
10 ShoreBank, and I think most of us in this room, to
12:19:06
11 keep on working with, pushing, being a partner,
12 being a nudge, but being there for each other to
13 make sure that the good people of Bank One and
14 J. P. Morgan Chase would like to see things better.

15 We'll work together on this. And I thank you.
12:19:24

16 MS. BRAUNSTEIN: Thank you. Ms. Ratner.

17 MS. RATNER: Thank you for the opportunity to
18 present my response to the proposed merger of
19 J. P. Morgan Chase and Bank One. I am presenting
20 today at today's public hearing on economic
12:19:44

21 opportunity issues to assist the minority and
22 women's small business community of the Chicago
23 area and in support of the merger and their
24 commitment to the letter and spirit of the

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1 Community Reinvestment Act.

2 Representing thousands of women- and
3 minority-owned business owners in the Chicagoland
4 area, we were thrilled to learn about the
5 memorandum of understanding negotiated to make
12:20:04
6 thousands of residential and greatly increased
7 small business loans to minority, women business
8 owners over the next five years.

9 The WBDC is involved in Bank One's

12:20:16 10 continuing investments in low- and moderate-income
11 families, businesses and neighborhoods and
12 specifically its efforts to provide access to
13 credit in those communities. The Women's Business
14 Development Center has had positive firsthand
15 experience with Bank One and its previous

12:20:30 16 incarnations since the inception of our
17 organization which was founded in 1985.

18 The WBDC provides counseling, training,
19 financial assistance, business and strategic
20 planning, marketing and procurement assistance and

12:20:44 21 assistance with loans to start-up, emerging and
22 mature businesses. I have no humility, so our
23 organization is now the oldest, largest and most
24 comprehensive and most successful women's business

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1 assistance center in America.

2 Bank One has been our partner in economic
3 development, providing support for our
4 organization; loans to our clients; funds for our
5 previous collateral pool to collateralize small

12:21:08

6 business loans; program-related investment for
7 microlending to women and minority start-up
8 businesses; participation as a lender in our
9 Bank Loan Program; and participation in our annual
10 Entrepreneurial Women's Conference since 1991.

12:21:22

11 Bank One was the lead financial
12 institution in Chicago to adopt and support the
13 Community Express Program through the SBA.

14 Several years ago, our organization and
15 Bank One began a partnership to provide business

12:21:36

16 development and financial assistance to low- and
17 moderate-income Hispanic communities. WBDC is now
18 providing programs in Spanish at several Bank One
19 facilities in Little Village and Berwyn. This
20 innovative new program brings information and

12:21:52

21 services, training, financial assistance as well as
22 self-employment opportunities to those communities.

23 The WBDC and Bank One have partnered with
24 several critical economic and community development

1 organizations such as ACCION, Action for Children,
2 Northside Community Federal Credit Union. It has
3 worked collaboratively. I hope it will continue to
4 work collaboratively.

12:22:18 5 We have a number of recommendations

6 because we looked to the merger to increase their
7 commitment to supplier diversity and the inclusion
8 of minority and women business enterprises in the
9 procurement and purchasing practices of the banks.

12:22:32 10 We look forward to an increase in small

11 business lending for minority- and women-owned
12 businesses to help them grow their businesses,
13 especially targeting small loans to companies with
14 revenues of under a million dollars.

12:22:46 15 And we look to Bank One to develop new

16 lending products in conjunction -- that's great,
17 okay -- with state and local government to develop
18 options for contract and contractor financing
19 assistance extending current underwriting

12:23:02 20 guidelines when dealing with government

21 receivables.

22 The WBDC and other organizations like
23 ourselves to truly understand the issues of small
24 business lending -- and this is directed to the

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12:23:28 1 Feds, if that's okay -- to truly understand the
2 issues of small business lending in low- to
3 moderate-income communities and loans to minority-
4 and women-owned businesses, gender- and race-based
5 lender data that has been available or housing
6 through HMDA has not been available for small
7 business. We propose that the bank would
8 voluntarily collect, voluntarily provide gender-
9 and race-based information to help develop the most
10 successful policies and programs to enhance the
12:23:42 11 growth of small business lending to our
12 communities.

13 What we would like to see is an extension
14 of Regulation B so that we can collect the data to
15 help provide better policies.

12:23:54

16 We look to Bank One and J. P. Morgan Chase
17 to continue to be the precedent setter and lead

18 national efforts for community and economic
19 development. This is a timely window of
20 opportunity.

12:24:08

21 The WBDC and many of our colleagues across
22 the nation are also concerned about the effect
23 major bank mergers have had on small business
24 lending. The standardization of underwriting

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1 criteria, the removal of lending decision-making
2 from the first line banker, which is the continuing
3 trend in larger and merged banks, has been
4 detrimental to the growth of small businesses in
5 the inner cities.

12:24:32

6 Although intermediaries like our
7 organization and many of those who are
8 testifying -- finish the sentence? -- have had a
9 major impact on lending to start-up and emerging
10 business, because of large bank merger underwriting

12:24:44

11 policies, we're having a more difficult time with
12 bank financing.

13 Withal, we of the Women's Business
14 Development Center support the merger of Bank One
15 with J. P. Morgan Chase and welcome them to

12:24:56

16 Chicago. Thank you.

17 MS. BRAUNSTEIN: Thank you. Mr. Holmes?

18 MR. HOLMES: I will try not to run out of time.

19 MS. RATNER: I was good.

20 MR. HOLMES: I'm Calvin Holmes, the Executive

12:25:08

21 Director of the Chicago Community Loan Fund. We
22 are a mid-sized, private, nonprofit community
23 development financial institution.

24 We have extended nearly 100 loans to small

185

1 and upstart and mid-sized community development
2 corporations and other community-based
3 organizations working to turn around Chicago's most
4 challenged neighborhoods. These nearly 100
5 community development financing have helped

12:25:30

6 leverage an additional \$212 million in public and
7 private financing in neighborhoods across our great
8 city and suburbs.

9 Bank One has been a very resourceful and
10 engaged partner that has helped and is helping CCLF
12:25:44
11 extend this capital into the farthest reaches of
12 these neighborhoods. Over several years, the bank
13 has rather effortlessly provided CCLF investments
14 that are extremely hard to come by. Those are
15 equity equivalent investments, or EQ2s. In fact,
12:26:00
16 all of Bank One's investments in CCLF have been
17 EQ2s and have helped us establish one of the
18 strongest capital structures of a fund of our size
19 in the nation.

20 More importantly, the EQ2s from the bank
12:26:14
21 have been instrumental in CCLF being able to offer
22 its customers longer-term products with more
23 flexible features. In addition, the EQ2s have made
24 it possible for CCLF to attract smaller banks and

186

1 others less familiar because those EQ2s provide an
2 extra firewall of protection for such investors.

3 In addition to helping CCLF provide better

4 products for our customers and increasing the
5 amount of capital we do provide to them, Bank One
12:26:42
6 has also consistently provided CCLF with very
7 scarce long-term operating support -- I'm not
8 supposed to call it operating support -- because
9 CCLF customers are typically small community-based
10 entities that require a hell of a lot more
12:26:56
11 technical assistance to move their projects to
12 fruition. This type of high test lending, as we
13 all know, is very expensive; and the bank has
14 helped us absorb those costs for approximately a
15 decade now.

12:27:10

16 Among other in-kind contributions,
17 Bank One has also generously hosted our Real Estate
18 Development Project Ratings workshops, making it
19 possible for nearly 80 community groups to better
20 evaluate their abilities to engage in real estate
12:27:24
21 development.

22 Finally, and as importantly, Bank One has
23 partnered with CCLF to provide finance indirectly
24 to community groups. Unlike Hedy, I'm not so -- I

1 am not so without humility. I can tell you that my
2 staff has learned much about construction
3 management from the bank's team among other
4 benefits of our co-lending.

12:27:48 5 Given the facilitative manner in which the

6 bank has partnered with CCLF nearly since our
7 inception, I am here to encourage the leaders of
8 J. P. Morgan Chase and Bank One to preserve and
9 elevate the combined institution's commitment to
10 the domestic emerging markets that CCLF is serving

12:28:02 11 and to also address the concerns of other community
12 advocates and elevate its commitment to building
13 the wealth of the families in these emerging
14 markets by not supporting the wealth-stripping
15 activities of French lenders.

12:28:18 16 In conclusion, I must note that I
17 appreciate that both merging banks have the ability
18 to form a leading international financial services
19 company but encourage them to take heed and for the
20 Federal Reserve to help them do so to the concerns

12:28:32

21 of my fellow community advocates who have keen
22 insights, expertise and experience in Chase and
23 Bank One communities across the nation.

24 It is my hope that by addressing the

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1 concerns of community advocates, the leaders of
2 both banks would build a new institution that works
3 as hard to provide the best products and services
4 to domestic merging markets and the families that
5 live within them as it would to its customers in

12:28:54

6 its more traditional mainstream markets. Thank
7 you.

8 MS. BRAUNSTEIN: Thank you. Mr. Curtiss.

9 MR. CURTISS: Good afternoon. I thank the Feds
10 for having us here today to be able to provide some

12:29:06

11 input into this merger. I feel kind of like
12 Billy Martin because I feel very strongly for both
13 these institutions. We work very closely with
14 them.

15 My name is Polk Curtiss. I'm the

12:29:14

16 Executive Director for Housing Opportunities of
17 Houston. We're a 501(c)(3) nonprofit corporation
18 and have the goal of helping families invest in
19 home ownership. We do that through a comprehensive
20 approach to home ownership through homebuyer

12:29:28

21 education, pre-purchase counseling, post-purchase
22 counseling, and we provide a down payment
23 assistance via the Federal Home Program.

24 We offer this assistance to about 1200

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1 families a year. We help with down payment
2 assistance, and we educate over 4,000 families a
3 year as to how to buy a home. So we work very
4 closely with both these institutions.

5 Bank One and J. P. Morgan Chase are part

12:29:54

6 of a lending corporation here in Houston that's
7 called Affordable Lending Partnership, and they
8 have agreed to provide home mortgage loans under a
9 much-reduced fee schedule as well as an interest
10 rate cap. So they do that providing a very good

12:30:08

11 affordable mortgage product to our families that

12 come through the program.

13 I have worked with them now for almost ten

14 years in my capacity as the Director of Housing

15 Opportunities of Houston. Dave Wood at Bank One

12:30:22

16 and Alva Garza and Ron Brann at J. P. Morgan Chase

17 have proved to be very valuable partners in

18 community redevelopment and home ownership

19 activities in the City of Houston and in Harris

20 County.

12:30:36

21 We offer our services through a very

22 multi-cultural diverse population in Houston. I'm

23 sure you're aware of how culturally diverse Houston

24 is. So we offer our classes in Spanish, English,

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1 Vietnamese, Chinese, and also Pakistani and a form

2 of a Mandarin Chinese. So we have a very cultural

3 diverse community, and both Chase and Bank One is

4 very much supportive of all the services provided

5 through that organization.

12:31:06

6 We have always felt that both the

7 organizations provide the services to the families
8 because of their commitment to the neighborhood,
9 commitment to the community; and we've always had
10 the opportunity when we have the situations that
12:31:24
11 require some help to the community, they have
12 always stepped forward and provided that to us and
13 to the families involved. In fact, for every
14 dollar that we provide in federal assistance, it
15 spins off \$19 into the community as far as private
12:31:42
16 mortgages.

17 So we feel very strongly that this is a
18 very good step to the continuing revitalization
19 efforts in both Houston and both nationally. And I
20 would go on record as supporting both.

12:31:54

21 MS. BRAUNSTEIN: Thank you very much, and thank
22 you for the entire panel. Would the next panel
23 please come forward?

24 Welcome to our next panel. Once again,

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1 for the record, five minutes per speaker. Keep
2 your eye on the timekeepers and you'll see the

3 lights. Also please state your name and
4 organization at the beginning of your statement.

12:33:04 5 We'll start with Mr. Mooney, please.

6 MR. MOONEY: Thank you. Good afternoon. My
7 name is Andrew Mooney. I am the Senior Program
8 Director of the Local Initiatives Support
9 Corporation here in Chicago.

12:33:14 10 I'm here today to speak about the

11 importance of the partnership we've had with
12 Bank One and J. P. Morgan Chase over the years and
13 in support of their proposed merger.

12:33:26 14 LISC is a not-for-profit financial
15 intermediary that provides capital and technical

16 resources to revitalizing neighborhoods across the
17 metropolitan area. We are part of a nationwide
18 network that serves 35 cities and a similar number
19 in rural communities.

12:33:38 20 The work that we and our colleagues in the

21 communities we serve is not easy nor is it trivial.
22 For example, in Chicago alone, we've invested
23 \$103 million-plus and nearly 17,000 units of

24 affordable housing, some 3 million square feet of

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1 neighborhood commercial space, and a host of other
2 community building initiatives. The groups that we
3 finance are citizen-led community organizations
4 that are dedicated to revitalizing their
5 neighborhoods through development.

12:34:04

6 We could not have attained this track
7 record without the constant support of Bank One and
8 its predecessors in Chicago or J. P. Morgan Chase
9 at the national level. Through the years, both
10 institutions have proven their commitment to our

12:34:16

11 vision of healthy communities filled through
12 resident involvement and leadership.

13 In Chicago, Bank One has been and
14 continues to be our largest corporate sponsor. But
15 we work together in a number of different ways.

12:34:30

16 For example, Bank One provided the funding for an
17 innovative program called Banking on Family
18 ChildCare which was designed to strengthen
19 home-based childcare in a number of our communities

12:34:42 20 by improving the financial well-being of the
21 providers. Bank One funded individual development
22 accounts to match the savings of the participants
23 in the program. As we complete the pilot phase,
24 46 participants who provide daycare to

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1 approximately 450 children have accumulated
2 \$135,000 in personal assets as a result of this
3 Bank One fund effort.

12:35:08 4 We also worked side by side with Bank One
5 on financing difficult housing and commercial
6 projects in the neighborhoods we serve. My LISC
7 colleagues in Milwaukee, who support this merger
8 and where Bank One also has a significant presence,
9 report that the bank has played a strategic role in
10 community development there as well.

12:35:22 11 Just recently, for example, the bank took
12 the lead position in a project based on Section 8
13 conversion with some 58 duplex properties that were
14 in danger of being lost to the affordable market.

12:35:34 15 We could name a number of similar projects here in

16 Chicago in which the bank took a leading, and I
17 should add, a risk position.

18 In all, Bank One has provided LISC with
19 grants of \$7 and a half million, low market loans
20 of \$700,000, and investments of over \$97 million in

12:35:48

21 low-income housing projects through our sister
22 agency, the National Equity Fund.

23 Bank One is important to us for other
24 reasons, however. As an institution, it has always

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1 encouraged the active participation of its chief
2 executives in civic affairs. This continues to be
3 the tradition today.

4 For instance, senior representatives of
5 the banks sit on our local advisory committees in

12:36:12

6 Chicago, Milwaukee and several other cities in
7 which both LISC and the bank have a presence; and
8 they are actively and personally engaged in major
9 civic issues from the transformation of public
10 housing to the quality of education in our public

12:36:26

11 schools to community safety.

12 While J. P. Morgan Chase has not until now
13 had a major presence in the Chicago market, I can
14 report that they have had a similar track record
15 with LISC in the cities in which we are both

12:36:38

16 located. In fact, at the national level,
17 J. P. Morgan Chase has been our single largest
18 financial partner for over 24 years.

19 Both Bank One and J. P. Morgan Chase have
20 proven their mettle over the years. They have set

12:36:52

21 an example in the financial industry for excellence
22 in community development. They have established a
23 high standard for good corporate citizenship.

24 We have seen that both banks know how to

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1 commit themselves strategically and financially in
2 the many markets in which they operate. We expect
3 that this will not only continue but that their
4 presence could, in fact, strengthen as a result of
5 the proposed merger.

12:37:16

6 For all these reasons, therefore, we are
7 pleased to go on record in support of the merger of
8 Bank One and J. P. Morgan Chase, and I thank you
9 for your consideration.

10 MS. BRAUNSTEIN: Thank you very much.
12:37:26

11 Ms. Newsom.

12 MS. NEWSOM: Good afternoon. I'm
13 Caroline Newsom, the Executive Director of
14 Self-Employment Loan Fund in Phoenix, Arizona.
15 Thank you for allowing our agency to express its

12:37:38
16 support of this merger.

17 We believe that this merger is a healthy
18 union. We also believe the two corporations,
19 Bank One and J. P. Morgan Chase, have complementary
20 strengths and that their goal is to bridge

12:37:54
21 resources that will further communicate development
22 opportunities.

23 SELF is celebrating ten years in the
24 microenterprise industry. Our mission is to

1 promote self-sufficiency by encouraging individuals
2 to start or expand existing businesses. We provide
3 financial literacy, business plan development,
4 education, as well as professional support and
5 microloans up to \$15,000.

12:38:22

6 Prior to opening our doors, we introduced
7 this model to Bank One ten years ago. They
8 embraced this concept immediately and responded by
9 providing our organization with 2300 square feet of
10 donated space for seven years. They also provided

12:38:40

11 more leadership, a half million dollars in
12 financial support, countless volunteer hours in the
13 area of financial literacy and credit worthiness,
14 training to our clients. They are also a referral
15 source and have just recently covered all of the

12:38:58

16 associated costs establishing a state
17 microenterprise association.

18 There are more than a thousand
19 microenterprise developers throughout our country,
20 and we have a unique charge in that our return on

12:39:12

21 investment comes through job creation and retention
22 through contributing taxpayers -- creating

23 contributing taxpayers and demonstrating our
24 ability to build economic health, wealth and assets

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1 of underserved communities.

2 Bank One is a leader in supporting
3 microenterprise efforts, and their generosity has
4 afforded through our agency more than 3700 aspiring
5 entrepreneurs access to alternative, intellectual

12:39:42

6 and financial resources.

7 Again, we support this merger, and we
8 believe that Mr. Harrison's \$800 billion community
9 development growth plan is a viable plan. Thank
10 you.

12:39:56

11 MS. BRAUNSTEIN: Thank you very much.

12 Ms. Hadley.

13 MS. HADLEY: Good afternoon. My name is
14 Erma Johnson Hadley. I'm here today officially
15 representing the Fort Worth Metropolitan Black

12:40:06

16 Chamber of Commerce in Fort Worth, Texas. Thank
17 you for the opportunity to speak with you today

18 about the proposed merger of J. P. Morgan Chase and
19 Bank One.

12:40:18

20 I have lived in Fort Worth, Texas, for
21 over 35 years and have been affiliated with
22 J. P. Morgan Chase Bank for over 10 years. I knew
23 Texas Commerce Bank, Chase Bank and now
24 J. P. Morgan Chase Bank.

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12:40:42

1 I have had an opportunity to observe the
2 bank from up close and personal from several
3 vantage points: As a member of a number of
4 community boards, as a member of the bank's North
5 Texas Advisory Board, as a member of the bank's
6 North Texas Community Reinvestment Act Advisory
7 Board; as a member of the National Community
8 Reinvestment Act Advisory Board; as a member of
9 various community boards that partner with
10 J. P. Morgan Chase; and as a customer. I am

12:40:56

11 well-acquainted with the bank, its people and its
12 commitment to providing a substantial, meaningful
13 service to its service area.

14 I said my official capacity here today is
15 as a representative of the Fort Worth Metropolitan
12:41:12
16 Black Chamber of Commerce, but I can also speak
17 from personal knowledge about J. P. Morgan Chase.
18 In addition, I can speak on a less personal basis
19 about Bank One.

20 We are most supportive of the merger. The
12:41:24
21 Fort Worth Metropolitan Black Chamber of Commerce
22 has partnered with J. P. Morgan Chase Bank to bring
23 more economic development to our community. The
24 bank invested considerable resources in a

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1 faith-based initiative led by the Chamber. Senior
2 staffers participated in the initiative that
3 resulted in several projects led by faith-based
4 institutions.

5 Our Chamber members were especially
12:41:48
6 impressed with the projects we saw on a visit to
7 Dallas when Chase hosted a day-long tour for our
8 members to meet with the leaders of three economic

9 and housing development projects that were financed
10 in whole or in part by Chase Bank. In each
12:42:04
11 project, not only did Chase finance the deal but
12 also provided assistance to the organization in
13 packaging the deal. In some cases, Chase provided
14 major consultative services to the organization.

15 J. P. Morgan Chase is also a good
12:42:22
16 corporate citizen that has consistently supported
17 the arts, education, grass-roots community
18 organizations, ethnic chambers, and other social
19 service groups. This commitment to community
20 support has resulted in an overall improvement in
12:42:36
21 the quality of life for the citizens in its service
22 area.

23 As a member of the North Texas Community
24 Reinvestment Act Advisory Board, I have had the

200

1 opportunity to keep abreast of the many economic
2 development projects financed by J. P. Morgan
3 Chase. Very often a client requires significant
4 hand-holding in order to make the loan bankable.

12:43:00 5 Chase has been masterful in hand holding less than
6 prepared clients and walking them through the maze
7 of paperwork and technical hurdles that so many of
8 them find difficult.

9 Perhaps one of the foremost reasons the
10 bank has experienced such good success is because
12:43:16

11 of its people. The people who are charged with
12 community reinvestment take their work seriously.
13 As a matter of fact, you may say they have turned
14 their work into a religion. I have seen key
15 bankers hold clients' hands through the long
12:43:30

16 application process that they find so difficult.

17 J. P. Morgan Chase Bank understands that
18 if it truly is to be a partner in the community and
19 make real gains in the redevelopment and
20 maintenance of communities, it cannot sit by the
12:43:44

21 sidelines and say, here we are, come and get the
22 loans if you can.

23 There are numerous projects to attest to
24 my statement, and a few examples of them include a

1 \$1 million line of credit for construction of
2 townhomes by Fort Worth South Side Development; a
3 \$3.5 million apartment arts complex by Victory Arts
4 Project; a \$1 million line of credit for the
5 construction of single-family homes; and another
6 \$2.7 million for mid to moderate single-family
7 homes that will totally revive a declining once
8 very prominent area in southeast Fort Worth.

12:44:10

9 And last I want to mention a \$40,000 line
10 of credit to Near North Side Partners. And I

12:44:26

11 mention that one because \$40,000 is such a
12 miniscule numbers of dollars. However, if not for
13 a J. P. Morgan Chase loan in this case, that
14 organization would not have been able to make their
15 deal work. When this fact is coupled with the

12:44:42

16 reality that a grass-roots, community-based
17 organization may be the only source of help a
18 community has, \$40,000 stands between a dream and a
19 reality.

20 My experience with Bank One has not been

12:44:58

21 as intimate as J. P. Morgan Chase; however, I am
22 generally quite familiar with Bank One's place in
23 the North Texas community.

24 A few years ago, Bank One partnered with

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1 the Fort Worth Metropolitan Black Chamber of
2 Commerce and other community organizations, stepped
3 up when no other bank would, and constructed a
4 branch bank in an economically abandoned low- to
5 moderate-income community of Fort Worth. Bank One
6 also committed to building a support structure
7 required to make the branch a success and, today,
8 we tout that as one of Bank One's greatest success
9 stories.

12:45:20

10 Finally, I am convinced that the merger
11 between J. P. Morgan Chase and Bank One will be
12 good for the individual customer, good for the
13 customer's community, and good for America.

12:45:32

14 MS. BRAUNSTEIN: Thank you very much.

15 Ms. Werkmeister.

12:45:46

16 MS. WERKMEISTER: Wendy Werkmeister, and I'm

17 President of Wisconsin Women's Business Initiative
18 Corporation. I think I'm between your lunch; I'm
19 the last testimony?

12:45:54 20 Also I have to clarify that Hedy Ratner

21 before -- who was here before -- runs an excellent
22 women's business center and she claims best in the
23 nation. It might be true, but that's south of the
24 Wisconsin border.

203

1 I do have handouts for you, too.

12:46:14 2 As I said, President of the Wisconsin
3 Women's Business Initiative Corporation. We're a
4 statewide economic development corporation. Plain
5 and simple, we impact lives on an economic basis,

6 and we do that by providing two basic services:
7 Quality business education and access to capital.

12:46:28 8 I have had the honor of being president
9 for the last ten years. And I will start out my
10 story with the senior vice president of Bank One.

11 He and three other vice presidents or presidents of

12 banks in the Milwaukee area and I toured on a very,
13 very hot August morning because I needed \$85,000
14 for a loan loss reserve to pull out SBA money.

12:46:44

15 They had their nice suits on and their nice shoes,
16 and I put them in a loaned client's van. It was
17 85 degrees out. It was in the morning and humid,
18 and the air conditioning didn't work, and there was
19 a throw rug on the back of the van where they sat.

12:46:56

20 I drove them around the heart of Milwaukee
21 and I pointed out what microlending is, how it
22 creates jobs, how it makes a difference in what
23 these stories are. And as we rolled back to the
24 community center in the parking lot, I locked the

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12:47:18

1 door, I turned to the four gentlemen, and I said, I
2 need \$85,000 -- you can all figure out how this is
3 going to happen -- for a loan loss reserve. It was
4 the senior vice president of Bank One that stood to
5 the table and said, you're in; and, by that
6 afternoon, I had that commitment for \$85,000.

7 Ten years ago, it was me, myself and I and

8 a budget of \$200,000, and I had great hope and
9 promise of not just this organization but of
10 commitment of microlending. Ten years later, we're
12:47:30
11 a \$2 million operational budget. We're lending
12 close to \$2 million annually to very small
13 businesses with an average loan size of \$20,000; 25
14 staff people and two offices, one in Milwaukee and
15 one in Madison.

12:47:44

16 We serve about 1,600 unduplicated clients
17 a year and, again, lend to approximately 70 to 75
18 businesses a year directly but then package another
19 100 deals at banks, Bank One being one of them, and
20 other quasi-government, nontraditional loan

12:48:00

21 sources.

22 Bank One has played a role with us
23 significantly, and I do support the merger as well
24 as I really welcome some of the innovative things

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1 that I believe J. P. Morgan has done in the past as
2 it relates to microenterprise development. I think

3 that will really mix very well with Bank One where
4 they have been to date.

12:48:18 5 A couple individuals that have been
6 significant, Deb Neubauer, who is here today in the
7 audience, serves formally on our South Central
8 Advisory Team from Bank One; Andy Cole formally
9 serves on my finance committee; and then I have new
10 numerous other bankers from Bank One that are not
12:48:30 11 just sharing again their treasure with our
12 organization but, more importantly, that of
13 resource of time and talent.

14 In addition, we bank with Bank One, and I
15 actually put out a RFP about five years ago with
12:48:42 16 the other major banks in the Milwaukee area. I
17 felt Bank One had the best package. They also
18 extended us a line of credit. They provided
19 investments with our organization yearly; and we're
20 also looking at an EQ2 investment for long-term
12:48:54 21 capital from Bank One.

22 I think that's really all I have to say.

23 MS. BRAUNSTEIN: Thank you very much and thank
24 you to our panel. We are going to break now for

1 lunch. We are going to reconvene earlier than what
2 your agenda says. We'll be back, yes, at 1:20.
3 We'll take a 30-minute break. And we will start
4 with the next panel at 1:20.

5 (Recess taken.)

13:22:46

6 MS. BRAUNSTEIN: I think we're going to get
7 started. I know our full panel is not here yet,
8 but they can take their seats. Their names are up
9 there. So as they walk up -- I'm sure they'll be
10 wandering in soon and it may be our own fault that

13:25:48

11 they're a little late because of security, getting
12 through security downstairs. But since you're
13 here, we might as well get started.

14 Just to restate the ground rules for this
15 meeting is that we do have a five-minute limit on

13:26:04

16 testimony, on oral testimony. We have timekeepers
17 over there that have a box that will flash yellow
18 when you have two minutes left and will flash red
19 when your time is up and also emit a very annoying

13:26:22 20 noise. So you'll know. We would ask that you pay

21 heed to the timekeepers.

22 And, lastly, please state your name and
23 organization at the beginning of your statement for
24 our court reporter for the record. And with that,

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1 Ms. Rand, do you want to start?

2 MS. RAND: Sure. Thank you.

13:26:46 3 Good afternoon. I'm Dory Rand. I'm the
4 Supervising Attorney for Community Investment at
5 the Chicago-based Sargent Shriver National Center

6 on Poverty Law. I'm also the coordinator of the
7 statewide Financial Links for Low-Income People, or
8 FLLIP Coalition.

13:27:00 9 As a member of the Chicago CRA Coalition,
10 I was here in 1998 testifying after we negotiated

11 an agreement with Bank One and First Chicago NBD,

12 and I have had the opportunity to work with

13 Bank One on a number of issues since then related

14 to implementation and monitoring of that agreement.

15 I also participated in negotiation of the CRA

13:27:18

16 Coalition's current 2004 memorandum of
17 understanding with Bank One and J. P. Morgan Chase.

18 I am not here to support or oppose the
19 merger but rather to comment on issues relating to
20 the convenience and needs of the communities to be

13:27:34

21 served. My comments relate primarily to Bank One's
22 performance under the Community Reinvestment Act
23 service and investment tests and do not reflect the
24 banks' performance in other areas around the

208

1 country. I urge the Federal Reserve to carefully
2 consider the comments of other National Community
3 Reinvestment Coalition members and people in
4 communities that were not able to negotiate CRA
5 agreements with Bank One and Chase.

13:28:02

6 The 1998 agreement with Bank One included
7 commitments to support financial education through
8 grants and investments; to establish full-service
9 branches in low- and moderate-income communities;
10 to consider establishment of low-cost Electronic

13:28:16

11 Transfer Accounts for recipients of federal benefit
12 payments; and explore the development of a pilot
13 program to expand access to basic banking services.

13:28:32

14 Bank One met or exceeded those commitments
15 by generously supporting financial education and
16 free tax counseling programs by establishing
17 branches in LMI communities, offering ETAs, and
18 creating the Alternative Banking Program.

13:28:48

19 Through the Alternative Banking Program,
20 Bank One made it possible for over 3,000 consumers
21 in eight of Chicago's LMI communities to open
22 checking or savings accounts despite a lack of
23 credit history or with a blemished credit history
24 with opening deposits of \$10 instead of \$100. By

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1 working with Bank One to develop, monitor and
2 expand the program, we were able to document that
3 offering accounts on these terms made good business
4 sense and generated sales and profits across
5 multiple product lines. This pilot program

13:29:14

6 positively influenced Bank One in development of
7 more flexible eligibility requirements for opening
8 accounts across its national footprint.

9 The Shriver Center and the FLLIP Coalition
10 community members have benefited from Bank One
13:29:30

11 grants in support of the FLLIP Financial Education
12 and Individual Development Account Programs; and,
13 more recently in 2003, Bank One made a substantial
14 five-year commitment as the Shriver Center's local
15 financial partner in the SEED Initiative where
13:29:46

16 they're providing program operating support and
17 other support for elementary school children and
18 parents to participate in financial education and
19 college savings.

20 Bank One should be commended for its
13:29:58
21 leadership in establishing branches, offering
22 affordable accounts, and supporting these model
23 programs.

24 I am pleased that under the 2004

210

1 memorandum of understanding, the banks have agreed

2 to establish 12 new LMI branches; aspire to a ratio
3 of branches in LMI to upper-income communities
4 similar to that for all banks in the region; and to
5 evaluate the feasibility of expanding the

13:30:22

6 Alternative Banking Program to the bank's whole
7 market; and to attempt to retain strong, affordable
8 checking and savings account products.

9 But while Bank One's performance in some
10 areas has been outstanding, I would be remiss if I

13:30:34

11 did not mention some of the areas in which there is
12 room for improvement.

13 I have expressed strong opposition to
14 Bank One's involvement in high-cost tax Refund
15 Anticipation Loans which strip earned income tax

13:30:46

16 recipients of significant work support benefits and
17 undermine the bank's support for free tax
18 counseling program. I also strongly oppose

19 Bank One and Chase involvement in commercial
20 relationships with high-cost lenders such as payday

13:31:00

21 lenders and rent-to-own stores.

22 We were not able to resolve these issues

23 in the 2004 MOU, but the bank has agreed to
24 consider its community responsibilities in

211

1 determining whether to continue or establish these
2 relationships and to explore creation of a direct
3 deposit advance program to serve the needs of LMI
4 households.

13:31:22 5 I urge the Federal Reserve to require the
6 banks to fully and publicly disclose in writing
7 their relationships with high-cost lenders and to
8 hold the banks to the highest standards in
9 evaluating such relationships and involvement in
10 Refund Anticipation Loans.

13:31:36 11 The banks should also be required to fully
12 disclose the terms of the recent \$800 billion CRA
13 pledge and to respond in writing to the community
14 group testimony and comments, and it would be
15 appropriate to extend the comment period until
13:31:48 16 after such full disclosure and response.

17 In closing, I look forward to a continued
18 strong partnership with Bank One, Chase and to

19 continuing to challenge our bank partners and
20 regulators to do the right thing. Thank you.

13:32:00

21 MS. BRAUNSTEIN: Thank you very much.

22 Mr. Raymundo.

23 MR. RAYMUNDO: Buenos tardes. Thank you for

24 allowing me the opportunity to comment on this

212

1 pending merger. I'm Raul Raymundo. I'm the

2 founder and CEO of the Resurrection Project.

3 The Resurrection Project is a faith-based

4 community development organization primarily

5 serving the Latino communities in Chicago in the

13:32:20

6 southwest side of Little Village, Pilsen and Back

7 of the Yards. These communities have had a high

8 poverty and unemployment rate and low educational

9 attainment rates. As a result of these challenges,

10 the neighborhoods have been designated in the past

13:32:36

11 as Empowerment Zone areas and Enterprise

12 Communities. The Resurrection Project serves these

13 communities through community organizing, home

14 ownership education, housing development, and
15 economic development.

13:32:46

16 The Resurrection Project has had an
17 excellent relationship with Bank One. We have
18 benefited from annual grants, mortgages, affordable
19 rental investments for tax credit projects and
20 other activities that the staff participated in in
21 our community.

13:33:02

22 Bank One has been an important partner
23 since our founding in 1990. In fact, it dates back
24 when it was First Chicago.

213

1 The Resurrection Project has chosen not to
2 offer other comments regarding this proposed merger
3 between Bank One and J. P. because we have no
4 relationship with J. P. Morgan. We would like to
5 take this time to urge the regulators to listen
6 carefully to other groups such as the Woodstock
7 Institute who are more knowledgeable about the
8 potential impacts this merger will have nationally.

13:33:26

9 Of course, the Resurrection Project wants

13:33:40 10 to encourage the new company to increase and expand

11 its commitment to affordable housing and community

12 development in Chicago. Also, given the fact that

13 the new company will have a stronger national

14 presence rather than a regional one, it is

13:33:54 15 important that the new leadership of the proposed

16 institution further expands their community

17 development commitments throughout the country.

18 This new company must take seriously the commitment

19 to invest in affordable housing and community

13:34:08 20 development. Thank you.

21 MS. BRAUNSTEIN: Thank you. Mr. Brown.

22 MR. BROWN: Good afternoon. Thank you. My

23 name is Donnie Brown. I am the Executive Director

24 of Genesis Housing Development Corporation. We are

214

1 a South Side organization, faith-based, working to

2 build houses in the Bronzeville area. We also are

3 engaged in housing education activity for local

4 residents, also financial education programs for

5 local residents.

13:34:40

6 I just wanted to thank you. At this time,
7 we are not prepared to oppose the merger; but, at
8 the same time, we do want to list reservations we
9 have as regards -- relates to the merger.

10 As a native Chicagoan, I have been

13:35:00

11 intrinsically linked with Bank One and its many
12 predecessors. My first professional job was as a
13 reconciliation clerk at Continental Bank. As a
14 result of their outreach program to inner city
15 youth, my first real estate deal was with First

13:35:20

16 National Bank as a part of its community lending
17 program.

18 My work with Bank One has been very
19 phenomenal and as successful for my organization.

20 We have mostly recently been funded repeatedly for

13:35:34

21 our financial literacy program. We also have great
22 working relationships in terms of how Bank One
23 makes presentations to the community, informing the
24 community of what services they offer,

1 understanding the bank process and the road within
2 home purchasing and housing development. So I
3 really thank Bank One for their success and
4 support.

13:36:04

5 I believe that this success is based on
6 the perception reality that the bank has always
7 been a Chicago institution. Regardless of how
8 large Bank One was, it was always felt that its
9 roots was Midwest and that it was an essential U.S.
10 state bank. That merger that's now being proposed

13:36:26

11 is going to change their perception and raise
12 questions of what would be the bank's commitment in
13 the long term as it relates to Chicago
14 neighborhoods, both to its residents and to the
15 nonprofit groups that depend on a strong, stable

13:36:44

16 institution.

17 I am not opposed to the merger. I only
18 want to voice my concern and need for reassurance
19 that the CRA agreement worked out with the Chicago
20 CRA Coalition becomes the model for low-income

13:37:02

21 communities across America as this will now be an

22 American bank. Large banks are the trend in
23 America. They are for both a bonus and also a
24 concern. It's just important that we spend time to

216

1 address both. Thank you.

2 MS. BRAUNSTEIN: Thank you very much.

3 Mr. Jackson.

4 MR. JACKSON: Good afternoon and welcome to

13:37:36

5 Chicago. It's an honor to be here today because of

6 all of you who have joined together for this

7 opportunity to participate, listen and comment on

8 the proposed merger of Bank One with J. P. Morgan

9 Chase, as well as to be in the history of those who

13:37:56

10 have made such process of public review and comment

11 possible. Our neighborhoods are better for it, and

12 that is why local leaders and nonprofit community

13 development corporations worked for its passage in

14 the 1977 era as well as continue to review and

13:38:16

15 participate in it today.

16 Democracy succeeds with these forums and

17 opportunities to consider, review and evaluate the
18 practices that enhance freedom. It was FDR in 1941
19 speaking to the Congress who articulated these
20 freedoms quite well: Freedom of speech, freedom of
13:38:36
21 worship, freedom from want, and freedom from fear.

22 I am not here today to account for the
23 history of FDR but to remind and state again the
24 want for affordable housing is, as we all know,

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1 very, very real today. There is no GI bill today.

2 Our 2003 Affordable Housing Fact Book
3 indicates 800,000 households in Illinois struggle
4 with affordability. A new trend evidenced in the
5 fact book over the last decade is the growth in
13:39:14
6 cost-burdened homeowners. Another feature is the
7 stagnation of the rental market. There is
8 virtually no new multi-family rental housing to
9 speak of in Chicago or throughout the region. In
10 fact, analysis about the City of Chicago indicate
13:39:34
11 that the city is one of the top-ten cities, the
12 only one of the top-ten cities in America to

13 actually lose rental stock over the last decade.

14 240,000 households are cost-burdened in

15 the City of Chicago as of the 2000 census. We know
13:39:50

16 that number has risen. The multi-family rental

17 stock is further experiencing risk because of the

18 loss of federally assisted housing. There has been

19 much comment in the housing community, rightfully

20 so, about predatory lending, payday loan
13:40:08

21 operations, destabilizing communities and families.

22 At the Chicago Rehab Network, we share

23 those concerns. However, we believe that an

24 overemphasis on home ownership at the expense of

218

1 multi-family housing should be considered.

2 Bank One has played a significant role in

3 multi-family investments for affordable housing.

4 This new merger should significantly grow our

5 combined ability to support multi-family housing
13:40:40

6 that's affordable.

7 I am attaching our comments about the

8 products that we would recommend and we requested
9 earlier in the year. Significantly on that, I
10 would just outline that those products were a tool
13:40:54
11 for preservation of the federally assisted stock.

12 There's new legislation likely to be
13 passed in the state that a bank and this new merged
14 bank could significantly enhance preserving that
15 important stock by tailoring our tool or product
13:41:12

16 for preservation. We believe this should be a
17 product especially for owners, not-for-profit
18 owners, and new product for not-for-profit owners
19 of affordable housing, particularly one that would
20 enable them to refinance to up to 25-years terms,
13:41:28

21 and the rest will be submitted with the testimony
22 today.

23 Finally, this new bank can continue its
24 critical tradition and that tradition of Bank One,

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1 previously First America NBD, previously First
2 National Bank, of building communities by, one,
3 committing to local decision-making here in Chicago

4 for the State of Illinois; and, two, by
5 implementing the memorandum of understanding agreed
13:41:56
6 to with the Chicago CRA Coalition and, again, by
7 continuing the 25-year history of review of
8 investments with community participation and,
9 again, by creating new products for preservation of
10 affordable housing in support for nonprofits in the
13:42:10
11 affordable housing business.

12 We look forward to building on the
13 important contributions and collaborations that
14 Bank One has made with our members and communities
15 over the last 25 years. Thank you very much.

13:42:26
16 MS. BRAUNSTEIN: Thank you very much, and thank
17 you to the entire panel. Would the next panel come
18 forward, please?

19 For those of you joining us, just to
20 restate the ground rules, each speaker has five
13:43:12
21 minutes allotted to them. We have timekeepers with
22 lights. A yellow light will light up when you have
23 two minutes left, and then a red light and, as I
24 said before, an annoying sound will occur when the

1 time is up. Also could you please remember to
2 state your name and organization at the beginning
3 of your statement for our reporter.

4 And with that, would you like to start,
5 please.

13:43:40

6 MS. HASLIP: Good afternoon. My name is
7 Monica Haslip. I am the founder and Executive
8 Director of Little Black Pearl Workshop. We are a
9 not-for-profit organization housed on the south
10 side of Chicago.

13:43:52

11 One of our -- I am here this afternoon to
12 support the merger. Our organization was founded
13 ten years ago in the basement of a graystone on the
14 south side of Chicago. And a lot of our efforts
15 have been to teach youth the connection between art

13:44:08

16 and business.

17 As a result of that, we developed a
18 relationship with Bank One a couple years ago in an
19 effort to really begin to expand our programs so we
20 can do even deeper work with the youth that we've

13:44:24

21 been working with over the years around the
22 business of art, as well as understanding financing
23 relationship to art. And over the years, Bank One
24 has done a tremendous job with working with our

221

1 organization and other organizations throughout the
2 community in support of the development of business
3 concepts, as well as other activities happening in
4 our neighborhoods.

5 We have had no experience with Chase; but
13:44:52

6 one of the things that we are most excited about
7 with the merger is it gives us an opportunity to
8 work with a banking institution that is made up of
9 two successful financial institutions merging to
10 bring about even more aggressive and innovative

13:45:12

11 ways to serve our community.

12 The community that we're housed in on the
13 south side of Chicago is North Kenwood/Oakland.

14 And that particular neighborhood is going through a
15 tremendous amount of redevelopment; and, as a

13:45:26

16 result of it -- I have been there ten years myself,
17 and at the beginning of the ten-year period before
18 the renovation and redevelopment occurred, that
19 neighborhood did not have a lot of support and
20 resources in it.

13:45:42

21 And what we have experienced with
22 Bank One, as the neighborhood has evolved, Bank One
23 has evolved. It has stepped up and made an effort
24 to not only be progressive in lending and

222

1 supporting the revitalization of the neighborhood,
2 but they have also supported a number of us that
3 are running not-for-profit organizations that are
4 really supporting the infrastructure of that
5 community.

13:46:10

6 So we are very excited as an organization
7 to have a partnership with Bank One who has a
8 tremendous history in the African-American
9 community, in particular; and we're also looking
10 forward to the relationship of an institution that

13:46:24

11 would have even greater potentials for supporting
12 institutions and organizations throughout the City
13 of Chicago and throughout the country as we
14 continue to build our communities and the
15 partnerships between the corporate community and
16 the partnerships between the not-for-profit
17 communities that are really serving these
18 communities.

13:46:42

19 So thank you very much.

20 MS. BRAUNSTEIN: Thank you very much.

13:46:52

21 Mr. Barno.

22 MR. BARNO: Good afternoon. It looks like I'm
23 going to have to lean forward a little bit.

24 My name is Gil Barno. I'm Executive

223

1 Director of Buckeye Community Hope Foundation in
2 Columbus, Ohio. I want to thank you for the
3 opportunity to speak today.

4 In addition to being Executive Director of
5 Buckeye, I also hold a variety of positions with

13:47:12

6 regard to something called Youth Build which is a

7 program for high school dropouts where they spend
8 half their time earning a high school degree and
9 half their time building housing for low-income
10 families.

13:47:26

11 I am Director Emeritus of the affiliated
12 network, the national organization, also chair of
13 the Ohio Youth Build Coalition and chair of the CRA
14 Youth Build Collaborative, which doesn't mean
15 Community Reinvestment Act. In that context, it

13:47:38

16 means Columbus/Rockford/Austin. Before I joined
17 Buckeye and got an honest job, I was a lawyer in
18 Boston.

19 Ever since Buckeye was formed in 1992,
20 Bank One has been our most valuable partner. We

13:47:50

21 have developed over 2,000 units of affordable
22 housing across six states using the low-income
23 housing tax credit program. Bank One has
24 participated in more than \$25 million of debt

224

1 financing for those projects.

2 Bank One has also been extremely
3 supportive of our Youth Build Columbus Program that
4 we operate, having given us charitable funding to
5 establish a computer learning center and also
13:48:16
6 having given us debt financing to fund a school
7 building for our charter school. With exception of
8 the U.S. Department of Housing and Urban
9 Development, no other organization has supported us
10 more financially than has Bank One.

13:48:28
11 On top of that, Bank One personnel have
12 been extremely free and giving of their time and
13 experience. We have had community boards that
14 Bank One personnel have served with distinction;
15 and any time I need some sort of help or guidance,
13:48:46
16 I know who I can call and be pointed in the right
17 direction or to a proper connection.

18 The reason why we are supportive of this
19 merger is because we operate in several states in
20 which Bank One has never had a presence before and
13:49:02
21 we see this merger as an opportunity to broaden our
22 partnership to cover those geographic areas where
23 before we haven't been able to partner with them;

24 and also because of the recent international

225

1 movement that our organization has undertaken to
2 try to get some of our Youth Build Program
3 graduates into foreign exchanges, and we see this
4 merger as something that could help to bring that
5 about. Thank you.

13:49:26

6 MS. BRAUNSTEIN: Thank you very much.
7 Mr. Downing.

8 MR. DOWNING: Good afternoon. My name is
9 Phillip Downing. I am Director of the Enterprise
10 Foundation's Columbus office and also the Executive
11 Director of the Community Development Collaborative
12 of Greater Columbus.

13:49:36

13 The Enterprise Foundation appreciates the
14 opportunity to testify in support of the
15 application by J. P. Morgan Chase and Company to
16 merge with Bank One. I commend the Federal Reserve
17 Board to agreeing with the recommendations of both
18 the banks and the community advocates to hold

13:49:46

19 public hearings on this important proposed merger.

13:49:58 20 Enterprise is a national nonprofit

21 organization. The foundation and its subsidiary

22 organization, the Enterprise Social Investment

23 Corporation, or ESIC, have committed more than

24 \$5 billion in financing to more than 160,000 homes.

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1 Almost all of them have been for low and very

2 low-income families in very low and very low-income

3 communities. Most of the resources we bring to

4 bear support the activities of community-based

13:50:22 5 organizations. Enterprise's network of grass-roots

6 groups numbers 2,500 and is in more than 850

7 locations nationwide.

8 Enterprise strongly supports the proposed

9 merger between J. P. Morgan Chase and Bank One.

13:50:36 10 Our support is based on a long-working relationship

11 with both institutions on a variety of initiatives

12 in multiple locations. Our partnerships with

13 J. P. Morgan Chase and Bank One have been critical

14 to our ability to achieve our mission of helping

15 people up and out of poverty by providing
13:50:48
16 affordable housing and revitalizing communities.
17 One example is these institutions'
18 extraordinary commitment to affordable housing for
19 low-income families through the low-income tax
20 credit program. Since 1994, J. P. Morgan Chase in

13:51:02
21 partnership with ESIC has invested more than
22 \$247 million to finance nearly 23,000 affordable
23 houses through the housing credit. Bank One has
24 worked with ESIC to finance housing credit

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1 departments since 1989 and has invested more than
2 \$101 million to create more than 19,000 affordable
3 homes.

4 Enterprise has also worked with
13:51:26
5 J. P. Morgan Chase and Bank One to provide
6 innovative, low-cost financing for housing and
7 community development activities around the
8 country. J. P. Morgan Chase has provided more than
9 \$8 million in low-interest funds which Enterprise

13:51:36 10 has leveraged with other private public funds to
11 make more than \$54 million in loan commitments.
12 These funds have helped over 150 community-based
13 groups develop 21,000 affordable homes in ten
14 cities.

13:51:48 15 In addition, J. P. Morgan Chase has been
16 our partner in a large-scale neighborhood
17 transformation initiative in Baltimore, Maryland.
18 The bank provided credit enhancement of \$3 million
19 to ESIC bond financing to help the construction of
20 75 low-income apartments at the Award Heritage

13:52:02 21 Crossing HOPE VI development.

22 In Columbus, Bank One was a founding
23 investor in the Community Development Collaborative
24 of Greater Columbus, a community-funding

228

1 intermediary, and has accurately participated since
2 1996. This investment has been in the form of
3 financial support as well as corporate leadership.
4 As the community development industry in Columbus
5 matures, Bank One strongly supports efforts to

13:52:24

6 evaluate the capacity of organizations and make
7 funding available based upon a criteria that
8 fosters durable and sustainable nonprofit
9 development entities.

10 Locally, Bank One executives have

13:52:36

11 dedicated countless hours serving on boards of
12 community development organizations and helping to
13 shape the industry's future. Additionally, capital
14 has been made available to support projects
15 developed by CDC in neighborhoods and the central

13:52:48

16 city that have not seen significant investment in
17 over 40 years. Successful stabilization and
18 subsequent revitalization in Columbus' distressed
19 neighborhoods hinges on the leadership from the
20 public and private sectors that promotes clearer

13:52:58

21 vision. We are optimistic that Bank One will
22 continue to be a driving force in this critical
23 effort.

24 It has been Enterprise's experience that

1 J. P. Morgan Chase and Bank One are committed to
2 community reinvestment, willing to work with
3 community-based organizations, and able to bring
4 tremendous capital and expertise to tough community
5 development challenges. We understand, as we heard
13:53:18

6 here today, that many other organizations have
7 similar views and share our recommendations for
8 that approved merger application.

9 We also understand, as we've heard today,
10 that folks have some concerns about the proposed
13:53:30

11 merger. We encourage the Fed to take seriously
12 these concerns and encourage the banks to continue
13 to listen and to work with those who have raised
14 them.

15 Thank you for this opportunity to testify.
13:53:40

16 MS. BRAUNSTEIN: Thank you very much.

17 Mr. Tanaka.

18 MR. TANAKA: Thank you for the opportunity to
19 speak at this hearing this afternoon. My name is
20 Les Tanaka. I am the Chief Staff and Executive
13:53:54

21 Director of the Greater Dallas Asian-American

22 Chamber of Commerce.

23 I'll be brief, but I think I have a
24 significant story to tell. Our chamber is the

230

1 largest Asian-American Chamber in the United States
2 with over 1200 members, a budget of just under a
3 million dollars, and paid staff of eight.

13:54:18

4 Just over three years ago, J. P. Morgan
5 Chase approached our chamber to manage its own
6 microbusiness program. Since that time, we have
7 developed this program under the mentoring and
8 tutoring of J. P. Morgan Chase executives
9 developing our credit policy manual and operational
10 manual. We believe that we are the only ethnic

13:54:34

11 chamber in the United States that manages its own
12 microbusiness program.

13:54:48

13 This program has given access to capital
14 to many not only Asian but Hispanic and
15 African-American businesses in the North Texas
16 area. The microbusiness program is funded through
17 a line of credit of \$1 million guaranteed by the

18 Greater Dallas Asian-American Chamber through the
19 auspices of J. P. Morgan Chase. Chase also
20 provides pro bono back office servicing for the
13:55:08
21 loan portfolio which now sits just under \$600,000.

22 We believe that this program can be a
23 model program for banks and the merged bank to take
24 across the country to make capital accessible to

231

1 small, emerging businesses for business expansion,
2 equipment and inventory acquisition and growth of
3 our economy.

4 For that reason, the Greater Dallas
5 Asian-American Chamber supports the merger of
13:55:42

6 Bank One and J. P. Morgan Chase. Thank you.

7 MS. BRAUNSTEIN: Thank you very much.

8 Ms. Holston.

9 MS. HOLSTON: Thank you. I am Barbara Holston,
10 Executive Director of the Fort Worth Housing
13:55:54

11 Authority in Fort Worth, Texas. Thank you for this
12 opportunity to speak in support of the proposed

13 merger of J. P. Morgan Chase and Bank One
14 Corporation.

13:56:06 15 I am representing the Housing Authority of
16 the City of Fort Worth and can tell you that the
17 Housing Authority has been privileged with a long
18 and positive relationship with both Bank One and
19 J. P. Morgan Chase.

13:56:20 20 As public housing agencies have struggled
21 with the challenges to deconsecrate poverty,
22 revitalize neighborhoods and improve the quality of
23 life for the families we serve, Bank One has been a
24 true partner in helping us accomplish our

232

1 objectives through better quality housing and
2 programs that promote self-sufficiency.

13:56:46 3 Bank One has demonstrated to the
4 Fort Worth Housing Authority its commitment to the
5 transformation of low-income housing and has
6 supported our efforts to create mixed-income
7 neighborhoods through new construction and the
8 revitalization of older neighborhoods and

9 properties.

10 Examples that I can share with you in this
13:56:58

11 regard include the following: First in 1994,
12 Bank One provided a \$1.02 million loan to the
13 Fort Worth Housing Authority to finance the
14 purchase of a 216-unit apartment complex from the
15 Resolution Trust Corporation. That purchase

13:57:16
16 increased the inventory of quality, affordable
17 housing owned by the Housing Authority.

18 Because of Bank One's willingness to
19 provide bridge financing, we were able to acquire a
20 well-located, well-maintained property through the
13:57:30

21 RTC's Affordable Housing Disposition Program which
22 required that 35 percent of the units have income
23 and rent restrictions. Fort Worth Housing
24 Authority committed to maintain the affordability

233

1 of 100 percent of the rents for moderate-income
2 families.

3 Bank One was great to work with, very

4 accommodating and willing to provide assistance
5 throughout the transaction. After closing the
13:57:58
6 loan, the bank issued a press release that
7 stimulated awareness in the community of the
8 potential for public, private partnerships in
9 addressing affordable housing needs.

10 The bridge loan was paid off with proceeds
13:58:16
11 from the issuance of essential purpose tax-exempt
12 housing revenue bonds. Bank One serves as the
13 trustee for the bond holders.

14 Another example of Bank One's loan history
15 of providing technical assistance and support to
13:58:32
16 public housing agencies goes back to September 1999
17 when I attended a two-and-a-half-day
18 Bank One-sponsored workshop on developing housing
19 in the new funding era. Presenters provided
20 hands-on, classroom, practical training on

13:58:48
21 developing affordable housing and the many products
22 available for finance and refinancing.

23 The final example I would like to give is
24 Bank One's recent sponsorship and application on

1 our behalf in which we acquired a \$500,000 grant
2 through the Federal Home Loan Bank's Affordable
3 Housing Program. That grant was used along with
4 low-income housing tax credits to develop 216 units
5 of housing that includes 54 public housing units.

13:59:20

6 Additionally, the Fort Worth Housing
7 Authority has enjoyed a long and positive
8 commercial banking relationship with both Bank One
9 and J. P. Morgan Chase. Both banks have
10 consistently provided excellent service with an

13:59:36

11 emphasis on public attention by bank
12 representatives. These relationships have enhanced
13 our business efficiency and lessened our exposure
14 to fraud and counterfeit, which we are very
15 appreciative.

13:59:56

16 We support the merger and we look forward
17 to continuing our relationship and enhancing the
18 partnerships that currently exist. Thank you.

19 MS. BRAUNSTEIN: Thank you very much. Ms. Lin.

20 MS. LIN: Thank you for this opportunity. My

14:00:12

21 name is Chi-Mei Lin. I am the Executive Director
22 with the Chinese Community Center from Houston.
23 I'm here to support the merger of the J. P. Morgan
24 Chase and the Bank One Corporation, and I would

235

1 like to share with you some real good experiences
2 the Center had with J. P. Morgan Chase.

3 The Center's mission is to serve as a
4 bridge to connect the east and the west. Our main
5 population is the new immigrants. As you know from

14:00:42

6 the Census 2000, Houston is the most diverse city
7 in the United States, and the Asian-Americans is
8 the fastest growing population in Houston.

9 Yet when you think of the banking
10 services, okay, it's very intimidating to new

14:00:56

11 immigrants because of the language barrier, and a
12 lot of time it's a difficult concept like the
13 credit versus cash. Oftentimes you see Asian
14 clients go to a bank with a lot of cash, and they
15 try to tell them, why don't you use the credit

14:01:10

16 system. And they say, well, we don't know where
17 you can put our money to. So they only believe in
18 cash. That took a lot of education.

14:01:24
19 The J. P. Morgan Chase has done a lot of
20 community outreach through educational programs and
21 through really funding, substantial funding
22 assistance to the Center.

23 We got the mortgage through J. P. Morgan
24 Chase to provide our first building which was in

236

1 the '90s. Now as we move on to expand our
2 services, they help us to give the letter of
3 support, the credit line letter, and also they help
4 us with our program development.

14:01:52
5 The financial literacy is a main focus at
6 the Center's educational program right now because
7 we serve 1,200 adult immigrants each year.
8 Financial literacy is important because that's the
9 basic and the necessary component to help them to
10 obtain self-sufficiency. We compose different

14:02:12
11 workshops each year, and actually all the

12 instructors are from the local banks from
13 J. P. Morgan Chase. They provide us with bilingual
14 staff members to teach the classes and, oftentimes,
15 they also help us to prepare the bilingual

14:02:28

16 materials. And we often hear good, you know, like
17 cases that tell us, oh, we got our refinance
18 through J. P. Morgan Chase because that member
19 there is so friendly and they're so helpful.

20 So what I really want to share with you is

14:02:44

21 J. P. Morgan Chase has done more than just the
22 assistance. Often times they receive
23 policy-oriented guidance and they also take us and
24 walk with us. So we have a lot of successful

237

1 immigrants achieve financial independence through
2 J. P. Morgan Chase assistance.

3 The other area I wanted to share with you
4 is the revitalization of Houston. As you know, the
5 Southwest Houston survey, the first half, for most
6 of the immigrants, not just the Asian immigrants

14:03:16

7 but the Hispanics, Bosnians and Eastern European,
8 they tend to come to Southwest Houston, and then we
9 really need to make sure that they get adequate
10 assistance. So we started the Job Training

14:03:32

11 Program, and J. P. Morgan Chase has helped us with
12 a lot of support by sending us instructors. They
13 teach them how to conduct job interviews, and also
14 they post the job openings. Okay. Once they
15 finish the banking and bookkeeping classes, if they

14:03:50

16 get an opening, they will offer us the interview
17 chances and often times they get hired.

18 If you come to Houston, and you visit the
19 Chinatown of Houston, you are going to see a
20 different dynamics there. We really think

14:04:04

21 J. P. Morgan Chase has done a lot to the
22 revitalization of Southwest Houston, and especially
23 they're coming into our outreach department; and
24 whenever we have a need, they will really offer

238

1 their best and oftentimes even, you know, the
2 program development.

3 We recently got a funding, a grant through
4 the J. P. Morgan Chase foundation, to start a youth
5 program financial literacy. Our youth has piloted
14:04:34
6 this Funny Money Society where they learn how to
7 do -- conduct saving activities and later on the
8 budgeting part, and I think that really helps the
9 immigrant population grow.

10 So with this, we really support the merger
14:04:52
11 of the J. P. Morgan Chase and Bank One. Thank you.

12 MS. BRAUNSTEIN: Thank you very much. And
13 Mr. Franco.

14 MR. FRANCO: Thank you, Madam Chair, ladies and
15 gentlemen of the Federal Reserve Board, Federal
14:05:06
16 Reserve Bank Chicago. Thank you for the
17 opportunity to present to you our testimony in
18 support of the J. P. Morgan Chase/Bank One merger
19 that is at this time before you for regulatory
20 approval.

14:05:18
21 On behalf of the United States Hispanic
22 Chamber of Commerce based in Washington, D.C., I am
23 George Franco, Chairman of the USHCC Finance and

1 Directors. We are the nation's premier Hispanic
2 business association that today represents the
3 interest of over 1.6 million Latina- and
4 Latino-owned businesses. We do this in connection
5 with our 158 local affiliates that are in every
6 major city throughout the United States.

14:05:42

7 The mission of the Chamber is to actively
8 promote, support and advance the growth and
9 development of the Hispanic enterprise to the
10 benefit of the entire American economy. Our

14:05:50

11 nationally syndicated weekly television show,
12 Hispanics Today, airs on networks that include NBC,
13 CBS, ABC, and Fox. This high-energy communications
14 vehicle is the medium through which we drive the
15 Chamber's entrepreneurial media message in over

14:06:04

16 75 major markets that together represent more than
17 80 percent of the national Hispanic viewer
18 audience.

19 In fact, Bank One was our most generous

14:06:16 20 founding sponsor of this dynamic and bilingual
21 component to the United States Hispanic Chamber.
22 The Bank One executive management team was
23 graciously willing to step up during the vulnerable
24 early stage of development and start-up phase of

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1 what has now become one of our most successful
2 business units with all corporate sponsorship
3 opportunities currently and completely sold out.

14:06:36 4 Today, over half of our nation's
5 Hispanic-owned business are women-owned, while the
6 growth in Latina start-ups outpaces all other
7 groups including white males by a margin of 3 to 1.

8 In this ever-changing knowledge-based
9 economy, Latinos are no longer only employees and
10 consumers. We now more than ever are employers and

14:06:50 11 investors as we fulfill our destiny in great part
12 thanks to the generosity of J. P. Morgan Chase and
13 Bank One. We build wealth, participate in our
14 nation's political, legislative and regulatory

15 process -- as we are doing here today -- and live
14:07:04

16 out the American dream. Indeed, it is an exciting
17 time to be Hispanic.

18 However, with every new generation of
19 high-growth Hispanic markets, there are growing
20 challenges we face every day to meet the needs of
14:07:14

21 our very large yet relatively underserved
22 constituency. In the last five years alone, the
23 USHCC has tripled in size. With the outstanding
24 participation and assistance of numerous

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1 professionals from Bank One and J. P. Morgan Chase,
2 we have focused and continue to focus our efforts
3 on behalf of our members in a number of key areas.
4 Chamber areas of focus include increased access to
5 debt and equity capital; increased corporate and
14:07:36

6 government procurement opportunities for Hispanic
7 suppliers; and continued increases in the placement
8 of Hispanic professionals within corporate
9 America's executive level work force.

10 Hispanic leadership at the corporate board

14:07:48

11 level is also a top priority, and we look forward
12 to working with the new J. P. Morgan Chase/Bank One
13 to identify and bring forward outstanding Hispanic
14 board member candidates. We find that our most
15 successful corporate partners already tap Hispanic

14:08:00

16 leadership in this capacity, not because they
17 should or would or could but because of the
18 outstanding new and efficient bottom-line revenue
19 opportunities available with measurable and
20 sustainable results for American corporations who

14:08:12

21 are able to successfully tap our nation's
22 high-growth Hispanic markets through effective
23 leadership.

24 Executives from both J. P. Morgan Chase

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1 and Bank One have walked in step side by side with
2 us and continue to provide substantial funding
3 while at the same time volunteer countless hours at
4 local and national levels.

5 For example, USHCC in a unique and

14:08:32

6 historic partnership with Bank One launched a
7 nationwide initiative known as Alianza, Gateway to
8 Capital. Alianza delivered a debt capital vehicle
9 via the network of USHCC local affiliate Hispanic
10 chambers of commerce throughout the United States.

14:08:46

11 Alianza also included a national USHCC branch of
12 small business credit card program that continues
13 to serve our constituent today.

14 Further, Bank One's generous multi-year
15 sponsorship of Alianza that included early-stage

14:08:58

16 sponsorship of our television show, as described
17 above, the bank substantially funded and worked
18 with our staff over a multi-year period to assist
19 substantial MIS technology development.

20 We owe a tremendous debt of gratitude to

14:09:10

21 Mr. Ruben Ramos, an outstanding, well-organized
22 national Hispanic leader who designed and led the
23 Alianza initiative in great service to this
24 country's entire Hispanic business community.

14:09:30

1 For the bankers of Bank One, debt capital
2 vehicle and bank card credit facilities were simply
3 not enough. Bank One surprised us when they
4 brought forward an exciting leading-edge equity
5 capital investment strategy. In fact, Bank One's
6 Community Development Corp offered to serve as lead
7 investor and principal organizer in the First
8 National Private Equity Fund focused on high-growth
9 Hispanic small businesses and sponsored by the
10 USHCC.

14:09:52

11 For this initiative, Bank One provided not
12 one but two rounds of hundreds of thousands of
13 dollars of early-stage organizational costs, and
14 Hispanic private equity is now approaching \$50
15 million in private equity. The SBA will supplement
16 this by \$100 million in a two-tiered SBIC
17 participating securities leverage which will bring
18 the fund's total capital to \$150 million.

14:10:06

19 Today, the fund is focused on growing
20 Hispanic-owned or operated businesses in media
21 entertainment, food and beverage, information
22 technology, telecommunications education,

23 healthcare and other sectors.

24 Remarkably, Bank One's development staff

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1 spent hundreds, literally hundreds and hundreds of
2 hours raising this fund and bringing us together.

3 Again, to conclude, I just want to state
4 that we are here in support of the merger, and we
5 thank you for the opportunity to present to you

14:10:28

6 here today. Thank you.

7 MS. BRAUNSTEIN: Thank you very much and thank
8 you to the entire panel. If the next panel would
9 please come forward.

10 Good afternoon and welcome. Just for the

14:11:18

11 record and for your edification, in case you

12 haven't been here earlier, I will restate the

13 ground rules. Each speaker has five minutes to

14 speak. There are two timekeepers over there and

15 you will see the box with the lights. The yellow

14:11:34

16 light indicates you have two minutes left. The red

17 light and the noise means time is up. If you could

18 please pay attention to that.

19 And, additionally, please at the beginning
20 of your statement state your name and organization
14:11:48
21 because we need it for the record.

22 And with that, we can begin with
23 Ms. Sanchez.

24 MS. SANCHEZ: Thank you. My name is

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1 Bethany Sanchez. I work for the Metropolitan
2 Milwaukee Fair Housing Council. Our home office is
3 Milwaukee, Wisconsin, and we have satellite offices
4 in Madison and Green Bay. I would like to thank
5 you for holding the hearings today to provide the
14:12:10
6 audience with an opportunity to give our
7 perspective on the potential merger between Chase
8 and Bank One.

9 At the Fair Housing Council, I'm the
10 Director of the Community and Economic Development
14:12:24
11 Program. The CED program, as we call it, is a
12 program that works in a proactive way on fair
13 lending and fair growth and affordable housing

14 issues. So it's with that in mind that I would
15 like to provide my comments.

14:12:44

16 I'm here today to express our gratitude
17 for Bank One's past community development
18 activities and involvement in the community of
19 Milwaukee; but I'm also here to express our grave
20 concern about the potential merger and the huge

14:12:58

21 entity that it would result in if approved.

22 Bank One and specifically CRA Officer
23 Gwen Dansby particularly in the past had been very
24 involved in community development and activities in

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1 Milwaukee. Gwen was the chair of a city-wide
2 banker's initiative to increase mortgage lending to
3 underserved populations. She was also an active
4 participant in our strategies to overcome predatory
5 practices initiatives, STOP for short; our STOP

14:13:30

6 legislative work group, which ended up being
7 successful in passing legislation at the state
8 level to curb predatory practices in Wisconsin.
9 Ms. Dansby's assistant, Lynette Gerot (phonetic),

14:13:50 10 was also a participant in STOP. She worked in our
11 outreach and education work group and the financial
12 options work group until she was laid off about a
13 year or so ago.

14 However, when I recently polled my
15 community development colleagues in Milwaukee
14:14:04 16 regarding Bank One's CRA record, the silence was
17 deafening. I sent e-mails to individuals at over
18 50 community organizations individually as well as
19 to a LISTSERV that is well-known and well
20 subscribed to and run by the Urban Economic

14:14:22 21 Development Association of Wisconsin. And most of
22 the folks on that LISTSERV and all the folks that I
23 sent individual e-mails to know me and know me well
24 and aren't afraid to respond to me normally.

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1 I explained that I would be testifying
2 here today and that I wanted to bring their
3 comments with me and share them with the group. I
4 said that I wouldn't name names, unless they wanted

14:14:48 5 me to, but I wanted to share positive experiences
6 that they had with the bank or if there were
7 experiences that they had or a cause for concern,
8 that I wanted to share those as well. The silence
9 was deafening. I didn't hear anything.

14:15:04 10 Finally, I ended up receiving about a
11 handful of e-mails from folks who said that they
12 hadn't had experiences one way or another with the
13 bank. So then I ended up getting on the phone and
14 started making phone calls to folks. I got the
15 same kind of nonresponse answers.

14:15:22
16 I spoke with leaders at Milwaukee's three
17 largest and most respected nonprofit home-buying
18 counseling agencies. Of the three, only one was
19 familiar with Bank One's mortgage products targeted
20 to low- and moderate-income buyers. Those products
14:15:36 21 are actually pretty innovative, but only one of the
22 three biggest ones knew about them.

23 During a couple of calls, I was told that
24 the local Bank One staff was good and interested

1 but that they were powerless to tailor their
2 products to the specific needs of the Milwaukee
3 market.

14:16:02

4 While local flexibility should not be
5 impossible under the proposed new entity, the fact
6 that it does not exist now coupled by -- coupled
7 with the fact that it will be an even bigger
8 institution even farther away from Milwaukee is a
9 matter of concern for us.

14:16:16

10 As the coordinator an anti-predatory
11 lending initiative, I also want to express my
12 concern about predatory lending. It's my
13 understanding that Chase has established some
14 decent best practice policies regarding the
15 subprime loans it makes. However, for the loans

14:16:28

16 that it purchases, services and securitizes, the
17 standard is much lower.

14:16:42

18 The standard appears to simply be no HOPEA
19 loans or loans that violate state laws. Well,
20 that's good as far as it goes, but one of Chase's
21 executive has been quoted as saying, "If they

22 comply with the law, we do business with them."

23 Hopefully, Chase and Bank One understand
24 that there are millions of predatory loans out

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14:17:08 1 there that are structured to just barely avoid HOPA
2 and many more that may be legal but are
3 unconscionable. If they do understand it, then
4 they must understand that the way they participate
5 in the service and purchasing and securitizing of
6 the subprime loans, all too often predatory loans,
7 is a practice that puts profits before people and
8 is not a practice that furthers community
9 development. These communities are being
10 destabilized -- and I see it's my time. I will put
14:17:24 11 my comments in writing. Thank you very much.

12 MS. BRAUNSTEIN: Thank you very much.

13 Mr. Lemonides.

14 MR. LEMONIDES: Good afternoon and thank you
15 for the opportunity to speak today. My name is
14:17:34 16 James Lemonides, and I am Chief Executive Officer

17 of the Greater North-Pulaski Development
18 Corporation here in Chicago, a nonprofit community
19 development corporation founded in 1977 and serving
20 the west and northwest side communities of the City
14:17:52
21 of Chicago.

22 Our primary service area is 10 square
23 miles bounded by Chicago Avenue on the south,
24 Belmont Avenue on the north, Western on the east,

250

1 and Oak Park Avenue on the west. This area is home
2 to over 215,000 residents, approximately 60 percent
3 of which are Hispanic; approximately 20 percent,
4 African-American; and 20 percent, white or other
5 ethnicities. This service area has been and still
14:18:24
6 is one of Chicago's heaviest concentrations of
7 industry.

8 Our primary mission has been to reverse
9 the trend of capital drain that began to afflict
10 this neighborhood in the 1960s. Our primary means
14:18:38
11 has been to nurture and retain our base of
12 industrial companies such that they can grow and

13 create jobs within one of Chicago's economically
14 disadvantaged communities.

14:18:54

15 Since 1978, we have packaged small
16 business expansion loans through various programs
17 of the U.S. Small Business Administration. We've
18 packaged over \$40 million since our inception and
19 effected over 3,000 jobs. Our industrial retention
20 program, developed jointly with the City of

14:19:12

21 Chicago's Department of Planning in 1984, continues
22 to be a staple program in Chicago's efforts to
23 retain and grow industrial jobs for its citizens.

24 Bank One and its earlier incarnations as

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1 First Chicago and First National Bank of Chicago
2 has been a consistent partner in our efforts ever
3 since we became a tax-exempt charitable
4 organization in 1981. Their grant support has been
5 consistent and has grown to the point where

14:19:44

6 Bank One is now one of our largest annual
7 supporters. The bank has continued this support

8 and its participation in small business lending in
9 our neighborhood throughout all of the mergers in
10 its history.

14:20:00

11 During the past five years alone, the
12 Bank One/SBA Community Express Program has served
13 as a fine example of our collaboration resulting in
14 13 loan packages totaling \$1,118,000 for
15 principally minority clients. We're still

14:20:16

16 utilizing this program with Bank One.

17 Bank One was the first mortgage lender for
18 the Chicago/Kedzie shopping mall redevelopment
19 project developed by the Matanky Realty Group in
20 partnership with the West Humboldt Park Development

14:20:30

21 Council. This initiative turned a derelict, tax
22 delinquent eyesore into a vibrant model of
23 community-based commercial development. A former
24 loan officer of the bank was instrumental in

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1 coaching the nonprofit organization in structuring
2 its participation and really helped beyond the call
3 of duty in making the collaboration come to

4 fruition.

14:20:54 5 I'm here today to state my conditional

6 support for the proposed merger of Bank One and

7 J. P. Morgan Chase. I say conditional because it

8 is based upon the expectation that Bank One's

9 aggressive support of Chicago community

14:21:10 10 revitalization efforts will continue and even grow

11 after the merger.

12 Like some of my colleagues testifying

13 today, I'm concerned that a loss of local autonomy

14 in Chicago could undermine or diminish the strong

14:21:24 15 record of institutional involvement that has

16 characterized our relationship with Bank One over

17 the years. Officials of Bank One have repeatedly

18 assured us of their abiding commitment, and the

19 support of Greater North-Pulaski Corporation is

14:21:38 20 based upon these assurances.

21 Again, I thank you for the opportunity to

22 be heard today.

23 MS. BRAUNSTEIN: Thank you very much.

24 Mr. Kuthy.

1 MR. KUTHY: Yes, as you can probably tell, I am
2 not Deborah Jones, and the sign here says so. I am
3 a board member of the Detroit Alliance For Fair
4 Banking and a former banking commissioner in the
5 State of Michigan with the dubious honor of having
14:22:02
6 been the first regulator to block an acquisition of
7 another bank using CRA as the rationale of poor
8 performance.

9 The letter I'm going to read is from our
10 president and CEO, Deborah: My name is
14:22:18
11 Deborah L. Jones, President and CEO of the Detroit
12 Alliance for Fair Banking located in Detroit,
13 Michigan. My purpose this afternoon is not to take
14 a stand in opposition to the J. P. Morgan
15 Chase/Bank One acquisition but one of neutral,
14:22:34
16 unbiased concern.

17 The Detroit Alliance for Fair Banking is a
18 civil rights organization comprised of and
19 representative of a coalition of city-wide
20 community-based groups within the City of Detroit.

14:22:44

21 Our history dates back to 1988 after a
22 controversial newspaper series based on extensive
23 research found and reported disparities and unfair
24 racial patterns in mortgage lending by many

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1 Detroit-area banks.

2 Incorporated in 1989, our organizational
3 mission is to monitor CRA activity and to provide
4 collaborative advocacy in the areas of public
5 policy and corporate citizenship with local

14:23:12

6 financial institutions. Our purpose is to
7 encourage and ensure that fair banking services are
8 being provided and that small businesses, urban
9 dwellers and minorities who have traditionally been
10 underserved or underrepresented are provided equal

14:23:24

11 access to credit opportunities through a series of
12 semi-annual reviews between the Detroit Alliance
13 and local senior bank management.

14 Through the years, although sometimes
15 challenged, one of the comforts of the Detroit

14:23:38

16 Alliance was that we worked with local senior
17 management decision-makers who were sensitive to
18 our discussions in meeting the credit needs of the
19 Detroit community. It is within this realm that I
20 come before you very concerned.

14:23:52

21 Our community is now facing the fourth
22 merger/acquisition of the formerly known National
23 Bank of Detroit, NBD: National Bank of Detroit,
24 NBD; First Chicago NBD; Bank One; and now another

255

1 which may jeopardize the Detroit Alliance's ability
2 to effectively communicate concerns and expedite
3 necessary change.

4 We at the Detroit Alliance are very
5 concerned that with each merger, high-level senior

14:24:18

6 officers with the capacity to authorize resolution
7 to "city-wide" credit/service needs have been far
8 removed from the City of Detroit into other states.

9 It concerns us that the out-of-state bank

10 authorities may potentially become indifferent to

14:24:32

11 understanding and providing solutions to the true
12 credit and service needs of our community.

13 Although Bank One has been responsive in
14 our discussions of the community's credit
15 requirements, we are concerned that the commitment
14:24:44
16 and sensitivity of future discussions may be
17 weakened by potential indifferences of out-of-state
18 senior authority.

19 Our hope is that this merger will break
20 the pattern of "far-removed", high-level senior
14:24:56
21 authority and return the city-wide decision-making
22 authority to the local state senior officers. Our
23 hope is that the merged banks of J. P. Morgan Chase
24 and Bank One will embrace and recognize the

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1 strength of the Detroit community and the untapped
2 opportunity that lay within her.

3 It is our hope and expectation that the
4 merged banks will continue to collaborate with the
5 Detroit Alliance and seek out ways to create
14:25:18

6 greater equitable services, products and
7 procurement opportunities for Detroit residents,
8 small businesses and minorities.

9 And a postscript from one regulator to
10 another: I would suggest that an interesting thing
14:25:32

11 that the Federal Reserve might do to help this
12 process with community action plans is to act as a
13 examiner of those plans' performance and report
14 back to the local organizations such as ours that
15 are using them; and this would be a way to validate
14:25:54

16 the assertions of the bank and cut down an awful
17 lot of flack and discussions. It would be helpful
18 as well for the Federal Reserve examiners to get
19 into the community action plan and understand their
20 mechanics.
14:26:10

21 Secondly, I would suggest that the
22 multi-billion-dollar program acknowledged by --
23 excuse me, advanced by the J. P. Morgan Chase Bank
24 be looked at for what it is, an attempt to come up

1 with credit needs the wrong way, backwards, in my

2 opinion. You should be going out and talking to
3 organizations like ours and others throughout the
4 service area that you have and then use the data
5 gathered from that to define products and to define
14:26:52

6 quotas and tallies. It would be a more effective
7 way than to try to do it from the top down, even
8 though there is some semblance of sense to having
9 an advisory committee. Thank you.

10 MS. BRAUNSTEIN: Thank you very much.
14:27:10

11 Mr. Brosseau.

12 MR. BROSSEAU: Good afternoon. My name is
13 James Brosseau, and I reside in North Riverside.
14 Surprise. I am here as a customer of Bank One, not
15 as a member of any organization. I am very
14:27:20

16 disappointed with my recent Bank One experiences
17 and believe that their acquisition will result in
18 substantial job losses, decreased services and
19 increased fees.

20 I became a First National Bank of Chicago
14:27:30
21 checking account and credit card customer in 1967.
22 I had just returned to the United States from

23 Vietnam War service. Building a savings and
24 retirement plan was not an option at that time. I

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1 was buying my first home and raising two children.
2 Income was tight.

3 When IRAs became available, I started them
4 with First National. To the credit of First
5 National Bank of Chicago, First Chicago and now

14:27:54

6 Bank One, not one single error was made on my
7 accounts from 1967 through 2002. That's 35
8 flawless years, probably unheard of in any
9 business, profession or any other line of endeavor.

10 Years 36 and 37 weren't so good. Errors

14:28:10

11 are human and I understand that; but how Bank One
12 handled them and treated me was absolutely
13 outrageous. My sense is that there was a corporate
14 shift in focus and philosophy that is not in the
15 public interest.

14:28:24

16 During January 2003, Merrill Lynch
17 notified me that an IRA CD would now be subject to
18 quarterly fees that I felt were excessive. It

19 seemed prudent to transfer it to Bank One. I sat
20 with a relationship banker on January 21st, filled
14:28:36
21 out the transfer paperwork and asked if she had
22 done one of these before. She had not; and I asked
23 for a trained senior person. She said her
24 supervisor would review it. Then I was introduced

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1 to a senior investment representative from Banc One
2 Securities Corporation. He had a weekly new
3 deposits quota of \$35,000. I declined to transfer
4 assets.

5 Several weeks later, I called for a status
14:29:00
6 report and was told everything was handled. I
7 should have asked if it was handled properly. It
8 wasn't. My March checking account statement showed
9 a March deposit in an amount close to the amount in
10 the transferred IRA. The phone number on the
14:29:12

11 statement was the bank's Michigan call center.

12 They had no idea of the deposit's origin.

13 Several heated calls to the Chicago

14 headquarters resulted in a senior person initiating
15 an inquiry. The results were astounding: The
14:29:26
16 Merrill Lynch check went to a Bank One Ohio
17 processing center and from there to another
18 processing center in Indianapolis. It should have
19 been deposited to the new IRA account. Or even if
20 it went into one of my three other IRA accounts, it
14:29:40
21 wouldn't be much of a problem. But they deposited
22 it into my checking account.

23 The error was corrected April 4th, two and
24 one half months after I initiated the paperwork. I

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1 lost a little bit of interest, \$109.52 in
2 Merrill Lynch fees, five hours of my time, and
3 incurred substantial emotional distress. And I
4 could have had substantial tax difficulties by
5 having my IRA cashed out.

14:30:04

6 Bank One maintained Merrill Lynch was slow
7 to act. The paper trail doesn't support their
8 view. Someone should have offered a serious
9 apology, credited my fees and provided a check for

10 the lost interest. I'm still waiting.
14:30:16

11 And it gets worse. I write between 8 and
12 15 checks with the exception of December when I
13 write about 70 charity checks. I have a
14 Classic One account that requires a daily balance
15 of \$2500 in all accounts to have checks returned
14:30:28

16 without a fee. My balance averages nearly ten
17 times that amount.

18 My January statement from Bank One in
19 Baton Rouge didn't include my checks but miniature
20 image statements of the fronts, 18 to a page. I
14:30:42

21 called the chairman's office -- in Arizona by the
22 way -- and complained. Several experienced Chicago
23 staffers contacted me, and I was told that I was
24 given an option to receive my checks without a fee

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1 as long as there was a \$35,000 account balance at
2 Bank One. I told them I had received no such
3 option and notification and that I would like them
4 to provide it. I asked three people twice, and I'm

5 still waiting.

14:31:08

6 It happened again with my February
7 statement. I complained to everyone again. For
8 the most part, they said it was my problem. And
9 then their securities people called to tell me how
10 lousy Bank One interest rates were and that I

14:31:16

11 should dump my IRA CDs. Again, I declined.

12 The bank did get me large copies of my
13 checks printed one to a page. Last month they sent
14 me 106 pages when I needed 28. This mistake cost
15 me another 12 hours of my time. I never received

14:31:30

16 an apology, the image statement option notification
17 or the change in fees notification. And they
18 refused a request to eliminate fees for more than
19 three months.

20 I'm not against increased fees for great
21 service, but I am against Bank One's practice of
22 hiding or obscuring these fees.

14:31:42

23 Crains Chicago Business on April 7, 2003,
24 said Bank One sued a vendor real estate firm. They

1 alleged that the firm was more interested in
2 pumping up commissions than serving Bank One. This
3 bank should treat customers the way they demand to
4 be treated; and they need to be fixed and fired,
5 not acquired. Thank you.

14:32:08

6 MS. BRAUNSTEIN: Thank you very much. And
7 thank you to the entire panel. Will the next panel
8 come forward, please?

9 Good afternoon, everybody, and welcome. I
10 will restate the rules again. Five minutes per

14:32:50

11 speaker. The timekeepers over here will signal you
12 with two minutes left and then when your time is
13 up. Please state your name and organization when
14 you begin your statement for the record.

15 With that, we'll begin with Mr. Radle.

14:33:06

16 MR. RADLE: Thank you. My name is Rod Radle.

17 I am the Executive Director of San Antonio

18 Alternative Housing Corporation, the largest and

19 most diverse affordable housing 501(c)(3) in

20 South Texas. San Antonio Alternative Housing

14:33:20

21 currently has 3400 affordable rental properties;

22 provides housing education for over 200 families
23 annually; is currently building three subdivisions
24 for affordable housing; constructs 50 homes per

263

1 year for first-time homebuyers; and completed ADA
2 modifications for physically challenged and/or
3 elderly in San Antonio. In 2004, we will complete
4 three special-housing project developments for
5 persons who are HIV positive or have AIDs.

14:33:50

6 While we're constantly seeking grants,
7 low-interest loans, federal, city and state monies
8 to support these often tight-budgeted developments,
9 the two financial institutions seeking approval for
10 this proposed merger have been -- they're forced at
11 critical times to provide the capital needed for
12 many of these ventures.

14:34:04

13 We support the request of the merger of
14 J. P. Morgan Chase and Bank One and view the
15 transition as providing enhanced affordable housing
16 opportunities from two entities who wholeheartedly

14:34:18

17 support affordable housing in the Texas communities
18 that we serve.

19 To be more specific, Bank One is one of
20 three financial institutions which provides
14:34:32
21 mortgages for our low- and moderate-income
22 families, most of which are Hispanic. They are
23 often the first members in their families to have
24 the opportunity for home ownership. The average

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1 annual medium income of the 200 families who have
2 purchased homes through our People Helping People
3 Program is 58 percent.

4 Bank One was also the first bank to come
5 to the table when we acquired a conversion townhome
14:34:56
6 project in San Antonio and started doing loans for
7 individuals to go ahead and acquire those townhomes
8 instead of paying high rents for them.

9 San Antonio Alternative Housing's
10 experience with J. P. Morgan Chase has been very
14:35:10
11 diverse. We view Chase as the place to go for the
12 tough development funds.

13 I'm going to give you three examples. The
14 first is a 15,000-square-foot 1930 historic
15 structure that was about to be demolished by the
14:35:26
16 City of San Antonio after years of neglect by an
17 absentee landlord. J. P. Morgan Chase provided a
18 three-year interim construction and stabilization
19 loan of \$600,000 with which the organization
20 created 11 affordable units that are now online,
14:35:42
21 expanded our ADA modification program to four times
22 its size, and is now creating 4,000 square feet of
23 commercial space in this low-income community.

24 A second example of Chase's involvement

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1 with Alternative Housing is they provided us a
2 \$4 million loan to acquire and renovate the
3 previously mentioned 92-unit townhome development.
4 Because of the bank's quick response for our
5 request for a loan, we were able to take advantage
14:36:10
6 of sales price which allowed us to sell the units
7 far below their replacement value.

8 The first unit was purchased by an
9 individual, Mr. Black, who had rented a townhome
10 since the townhomes were constructed in 1984. He
14:36:22
11 now pays \$130 less each month to own his townhome
12 than he was to pay for rented.

13 J. P. Morgan Chase has provided our
14 organization with an \$8 million bridge loan to
15 acquire a 200-unit apartment complex in Austin,
14:36:40
16 Texas, this during the time when the Austin market
17 has been very, very tenuous. The property was a
18 drug- and prostitution-infested apartment complex
19 when we acquired it two years ago and is now a
20 stable, safe, affordable development known for its
14:36:54
21 lack of crime and wholesome atmosphere.

22 In summary, J. P. Morgan Chase has
23 continued to underwrite more than just the property
24 for which a loan has been requested. They

266

1 underwrite the credibility and expertise of the
2 nonprofit developer undertaking the project. They
3 have proven time and time again that they're

4 willing to meet the needs of the low-income
5 families in South Texas, and we wholeheartedly
14:37:22
6 support this proposed merger.

7 We also would like to state that often, as
8 we've heard today, there are instances of problems
9 with any large institution. What we have seen both
10 from Bank One's involvement and from Chase coming
14:37:36

11 to the table to work with our nonprofit, it is one
12 of trying to find solutions and create ways of
13 making the finances available for nonprofits to
14 operate in South Texas.

15 We encourage this merger and we think it
14:37:52
16 will only help those endeavors. Thank you.

17 MS. BRAUNSTEIN: Ms. Scudo.

18 MS. SCUDO: Good afternoon and thank you for
19 this opportunity to provide testimony in support of
20 the proposed merger between Bank One and
14:38:02
21 J. P. Morgan Chase.

22 My name is Melissa Scudo. I'm the
23 Executive Director of CAMI, Colorado Alliance For
24 Microenterprise Initiatives. CAMI is a state

1 microenterprise association representing over
2 50 organizations across the State of Colorado that
3 support microenterprise development.

14:38:28 4 Our goals as an organization are to build
5 the capacity of organizations to serve individuals

6 that want to start or expand a business but who
7 lack access to resources such as start-up capital
8 and training and counseling to make their dream of
9 starting a business a reality.

14:38:44 10 A second goal that we have is to raise

11 public awareness about the strategy and impact of
12 microenterprise development on community and
13 economic development in Colorado.

14 CAMI supports the proposed merger of
15 J. P. Morgan Chase and Bank One because Bank One
14:39:00

16 has been a leader among financial institutions in
17 Colorado in supporting our organization and in
18 supporting the strategy of microenterprise
19 development in Colorado. Specifically, Bank One
20 was the sole sponsor of a resource guide that we

14:39:16

21 developed two years ago that provides a list of
22 over 300 resources for individuals who are looking
23 for a loan or looking for resources to start a
24 business and lack access to traditional financial

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1 services.

2 Not only were they the sole supporter
3 financially of this resource guide, but
4 Kim Weaver-McDonald, the community investment
5 manager at Bank One whom we worked with,

14:39:42

6 distributed it to her loan officers, and those loan
7 officers in turn distributed them to individuals
8 statewide. So not only was there a financial
9 support, but there was also support in getting the
10 word out and making connections with individuals.

14:39:56

11 Second, Bank One took a lead role in
12 financially supporting an annual conference that
13 was brought to Denver last year, the National
14 Conference on Microenterprise Development that
15 brought over 700 individuals to Denver to discuss

14:40:08

16 best practices in the strategy of microenterprise
17 development. Not only was Bank One's corporate
18 office the lead sponsor in supporting CAMI for this
19 conference, but it was the largest sponsor among
20 financial institutions but also among foundations
21 and other corporations in Colorado in supporting
22 the conference.

14:40:28

23 And in addition to support from the
24 corporate office, we received matching support from

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1 the local organization, the local office of
2 Bank One; and, again, this support was the first
3 support that we received, and it was also channeled
4 to the organization first before other
5 organizations did so.

14:40:52

6 In addition to providing financial support
7 for the conference, Bank One also participated in
8 workshops in educating individuals at the
9 conference on best ways for banks to work with
10 microenterprise organizations. The support that

14:41:08

11 Bank One provided to this conference opened up a
12 lot of opportunities for microenterprise
13 development in Colorado, including a recent award
14 of a quarter of a million dollars that we received
15 from the State of Colorado's Economic Development

14:41:20

16 Commission to provide loan fund capital to
17 individuals who cannot secure a loan through a
18 bank.

19 Finally, Kim Weaver-McDonald at Bank One
20 has been an active volunteer in CAMI's board of

14:41:34

21 directors. She's been involved in our board of
22 directors for the past two years and most recently
23 as treasurer; and for an organization that started
24 with \$10,000 in the bank and now has grown to

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1 \$300,000, we're a small organization, but we've
2 certainly needed her advice and her expertise and
3 her management and experience in taking our
4 organization to another level.

5 Finally, I would like to note that in

14:41:58

6 addition to the support that Bank One has given our

7 organization, Bank One has capitalized microloan
8 funds in Colorado, has funded operational expenses
9 of microloan organizations, and has dedicated staff
10 time to small business advocacy efforts.

14:42:14

11 So, in summary, CAMI supports the proposed
12 merger of J. P. Morgan Chase and Bank One based
13 upon Bank One's demonstrated commitment to
14 supporting microenterprise in Colorado, and we look
15 forward to working with the larger organization.

14:42:28

16 MS. BRAUNSTEIN: Thank you very much.

17 Mr. Massey.

18 MR. MASSEY: Good afternoon. My name is
19 Dallas Massey, and I represent White Mountain
20 Apache Tribe. I'm the chairman there. We're

14:42:42

21 located in Arizona, northeast side of Phoenix about
22 200 miles away.

23 Just to let you know, way back in 1998, I
24 was in this city. At that time, Angie Como, a HUD

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1 director from Washington, challenged every tribe in

2 the United States to leverage money because of the
3 money being cut back; and we, the White Mountain
4 Apache Tribe, took that challenge, started
5 leveraging our money. And the White Mountain

14:43:08

6 Apache Tribe, we have over 13,000 tribal members
7 enrolled and we have over 1,500 applications for
8 housing needs. And the housing that we construct
9 over the past ten years, only 20 houses per year.

10 But, in 1999, we took on that challenge.

14:43:26

11 The Housing Authority issued a \$25 million
12 tax-exempt bond rated AAA by Moody's Ratings
13 Service. The two primary purchasers were Fannie
14 Mae and Freddie Mac.

15 In order to construct the individual

14:43:48

16 317 Apache townhomes, the Housing Authority secured
17 commitments from Bank One and the Office of Loan
18 Guarantee of HUD, National Office of Native
19 American Program to provide -- guarantee 184 loan
20 for each home. The borrowers from each of these

14:44:08

21 home loans is the Housing Authority, and Bank One
22 is our lender.

23 Because the bond could not be constructed

24 as mortgage revenue bonds, and because Title 7 of

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1 the HSDA permitted Bank One to do so, the bonds
2 were constructed as a Ginnie Mae securitized issue;
3 therefore, Bank One assigned the Housing Authority
4 184 mortgages to Countrywide Home, Incorporated,
5 which issued the mortgage-backed Ginnie Mae
6 security for purchases by the bond trustee. The
7 bond trustee, in turn, would hold the Ginnie Mae
8 securities for the benefit of bond purchases.

14:44:42

9 Without the dedication and the hard work
10 of Bank One, spearheaded by Donna Shueline, First

14:44:58

11 Vice President of Bank One in Fishers, Indiana, the
12 Housing Authority would not have completed the
13 Apache townhomes. She and her staff had devoted
14 thousands of hours of their time in the past five
15 years in processing our 184 mortgages, coordinated

14:45:16

16 their agreement to Countrywide Home, Incorporated,
17 for a GNMA purchase and assured compliance with all
18 applicable 184 bond requirements.

19 As you know, there's other 560 Indian
20 tribes across the United States. Indian tribes
14:45:36
21 reservation is so special, we really cannot get any
22 lender to come in and say we're going to lend you
23 money because of trust status; but Bank One and the
24 companies that I have met stepped up. We are the

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1 first Indian tribes to say we did this project by
2 leveraging our fund.

3 We highly regard our relationship with
4 Bank One and hope that we'll be able to enhance our
5 relationship with the newly constructed
14:46:08
6 Bank One/J. P. Morgan Chase organization. Thank
7 you.

8 MS. BRAUNSTEIN: Thank you very much.

9 Ms. Lado.

10 MS. LADO: Good afternoon. My name is
14:46:16
11 Karen Lado. I am the Director of the Denver office
12 of the Enterprise Foundation. The Enterprise
13 Foundation greatly appreciates this opportunity to
14 testify in favor of the merger of J. P. Morgan

14:46:28 15 Chase and Bank One Corporation. We thank the
16 Federal Reserve for allowing this opportunity for
17 public comment.

18 As you heard from my Columbus colleague
19 previously, Enterprise is a national nonprofit
20 organization with a 22-year history. Our mission
14:46:40 21 is to see that all low-income people have access to
22 live in fit and affordable housing and the
23 opportunity to move up and out of poverty into the
24 mainstream of American life.

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1 Nationally, Enterprise works with a
2 network of 2500 local grass-roots organizations in
3 more than 850 locations throughout the country.
4 The Foundation has offices in 17 cities, including
5 Denver, Colorado, where I am based.

14:47:02 6 Since 1982, the Foundation and its
7 subsidiary organization, the Enterprise Social
8 Investment Corporation, have committed more than
9 \$5 billion to finance more than 160,000 homes. In

10 addition to this investment, the Enterprise
14:47:16
11 Foundation also provides capacity-building
12 assistance to nonprofit housing developers and
13 helps support community-based collaborations and
14 promote public education and advocacy around
15 affordable housing and community development. Our
14:47:30
16 work primarily serves low- and very low-income
17 families in low-income communities. Most of our
18 resources are focused on serving nonprofit
19 community-based organizations.

20 Our partnerships with J. P. Morgan Chase
14:47:42
21 and Bank One have been critical to our success.
22 For this reason, Enterprise strongly supports the
23 merger between J. P. Morgan Chase and Bank One.

24 Both Bank One and J. P. Morgan Chase have

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1 been strong partners in our investment in
2 affordable rental housing through the Low Income
3 Housing Tax Credit Program. J. P. Morgan Chase in
4 collaboration with ESIC has invested more than
5 \$247 million to finance nearly 23,000 affordable

14:48:06

6 homes through the Housing Credit since 1994.
7 Bank One has worked with ESIC to finance Housing
8 Credit homes since 1989 and has invested more than
9 \$101 million to create more than 19,000 affordable
10 homes.

14:48:22

11 In Colorado, Bank One is one of
12 Enterprise's strongest partners. Bank One and ESIC
13 together have invested in 20 different developments
14 that have created 850 homes for low-income Colorado
15 families. In one of the most recently completed

14:48:34

16 developments, Bank One helped make the project
17 possible by purchasing the state housing tax
18 credits, while ESIC brought in additional investors
19 to purchase the federal credits. As a result, our
20 local nonprofit partner was able to create 75 homes

14:48:48

21 for formerly homeless and low-income families
22 located in what is fast becoming one of the most
23 expensive parts of our city.

24 Bank One is also an important contributor

1 to the Housing Development Project, a funding
2 collaborative that provides essential operating
3 support and technical assistance to nonprofit
4 housing developers in Denver. In addition to
5 funding, Bank One also contributes the time and
14:49:10
6 expertise of its executives to help manage and grow
7 this collaborative.

8 Since 1994, the Housing Development
9 Project has provided \$6.4 million in operating
10 grants that have supported the development of 4,400
14:49:22
11 affordable homes. In addition, these grants have
12 helped over 1100 families achieve home ownership by
13 supporting counseling, financial education and
14 down-payment assistance programs.

15 In addition to the local support provided
14:49:34
16 by Bank One, I should also note that a principal
17 source of funding for the Housing Development
18 Project comes nationally from a consortium of
19 national funders called Living Cities.
20 Living Cities includes 14 national foundations,
14:49:46
21 corporations and federal government agencies.

22 J. P. Morgan Chase has been a long-standing
23 investor in the Living Cities consortium and
24 currently serves as one of the Living Cities

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1 co-chairs.

2 Locally, Bank One has also demonstrated
3 its commitment to strengthening the committee
4 development industry statewide. Bank One
5 executives contribute their time as board members

14:50:06

6 and volunteers for community-based organizations
7 and statewide coalitions. The leadership and drive
8 of Bank One executives, for example, has helped to
9 raise the profile of the state's largest affordable
10 housing conference among corporate leaders

14:50:20

11 resulting in more than a tripling of conference
12 sponsorship.

13 In our experience, J. P. Morgan Chase and
14 Bank One are committed to community investment and
15 able to bring tremendous resources and expertise to

14:50:30

16 bear to support community-based initiatives. We
17 know that many other organizations share our

18 recommendation that the Fed approve the merger
19 application. We have also heard concerns about the
20 proposed merger. We encourage the Fed to listen to
14:50:42
21 these concerns and to encourage the banks to work
22 with those who have raised them.

23 Thank you for this opportunity to testify.

24 MS. BRAUNSTEIN: Thank you very much.

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1 Mr. Dovalina.

2 MR. DOVALINA: Thank you. I want to thank you
3 for the opportunity to be here today. We will
4 submit -- my organization, LULAC, will submit a
5 formal written statement on our position.

14:51:04

6 I'm here today basically to share not
7 individual experiences that we've had with the
8 banks but, in general, our relationship with these
9 two banks. My name is Rick Dovalina. I am from
10 Houston, Texas. I am the past national president
14:51:14
11 of the League of United Latin American Citizens,
12 also known as LULAC.

13 LULAC was established in 1929 and is the
14 oldest and largest Hispanic grass-roots civil
15 rights organization in the country. We have over
14:51:30
16 800 councils in 41 different states, many, many of
17 those councils located in the 14 states affected by
18 this merger.

19 I want to tell you a little bit about our
20 lasting relationship with both Bank One and Chase
14:51:42
21 bank. Both banks have corporate members that sit
22 on our National Corporate Alliance Board of
23 Directors. This is an alliance -- it's an advisory
24 board to our national organization. They have been

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1 very instrumental in helping the organization raise
2 funds on a national basis. They also interact with
3 our membership and our executive directors
4 throughout the country in helping them establish
5 credit lines and do the work that has to be done in
14:52:16
6 the grass-roots community.

7 I'm here to support the merger between
8 these two banking institutions. During the past

9 few years as a national president of LULAC, I've
10 traveled throughout the country meeting with many,
14:52:34
11 many people, many, many grass-roots organizations
12 in communities and discussing issues with these
13 communities that affect them. I know that both
14 banks are very instrumental in helping the
15 individual councils, the individuals themselves, in
14:52:48
16 their banking needs.

17 Having said that, our main concern in the
18 Hispanic community has always been that the
19 Hispanic community, now 335 million strong in this
20 country and the fastest-growing community in the
14:53:04
21 country, has always been seen by the banking
22 industry as just consumers and not as potential
23 partners.

24 These two banks see us differently, and

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1 that's why I'm here to support this merger because
2 I want to continue that growth and that involvement
3 in the Hispanic community. They understand that we

14:53:32 4 need to build infrastructures to create wealth in
5 the Hispanic community. We need our banks to help
6 us also educate our consumers, and not only -- we
7 don't need anymore credit cards. We don't need any
8 discounts. We need education. We need them to
9 reinvest in the particular communities to help us
10 manage and use our financial institutions to create
14:53:48 11 this wealth. We need the resources to leverage the
12 system.

13 We hope that this merger and these two
14 banks will continue to move forward in that aspect.
15 We need for them to continue to use nonprofits like
14:54:06 16 LULAC, LARASA Hispanic Chamber, and other major
17 Hispanic organizations to help them join as
18 partners in helping the Latino community.

19 We've had a lot of personal experiences in
20 Houston with Chase and in Texas. Chase Bank has
14:54:24 21 stepped up in El Paso, Texas, that provides space
22 for our organization to house our financial
23 executive branch in their bank at Chase Bank. In
24 Houston, they have also provided space; and, in

1 Texas, in Austin, where we have our state office
2 that does daily work with the legislative branch of
3 Texas, they have provided an office rent-free for
4 the last five years.

5 So we really appreciate what Chase has
14:54:58

6 done. We appreciate what Bank One has done, and we
7 look forward to that continued relationship. We
8 are here to support this merger.

9 Last week J. P. Morgan announced a
10 commitment to invest \$800 billion into the
14:55:14

11 community, and I look forward to working with Chase
12 and Chase Bank representatives in assuring that the
13 Hispanic community gets their fair share of that
14 \$800 billion. Thank you very much.

15 MS. BRAUNSTEIN: Thank you very much.
14:55:28

16 Mr. Wong.

17 MR. WONG: Members of the panel, thank you for
18 this opportunity to share with the Federal Reserve
19 Board this perspective on the J. P. Morgan
20 Chase/Bank One merger.
14:55:44

21 My name is John Yen Wong, and I am the
22 2004 President of the Asian Real Estate Association
23 of America. AREAA, as the organization is more
24 commonly known, is a national real estate

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1 organization focused on service and support of
2 those who work with the Asian-American real estate
3 market. Founded in late 2002, the organization has
4 grown to over 1000 members from across the United
5 States.

14:56:14

6 The reason for AREAA's existence can be
7 distilled into three primary purposes, and these
8 purposes are: To be the voice of real estate
9 professionals who serve the Asian-American real
10 estate market; to be a resource for enhancing an

14:56:26

11 understanding of the Asian-American real estate
12 market; and to be a steward for the ever-increasing
13 professionalism of practitioners who serve the
14 Asian-American real estate market.

15 It is in the context of these purposes and

14:56:42

16 how they relate to increasing Asian-American home
17 ownership that I make the following remarks
18 regarding the proposed merger of J. P. Morgan Chase
19 and Bank One.

14:56:54 20 Early in 2003, Chase reached out to AREAA

21 for input on effective ways to reach and serve
22 Asian-American homebuyers. In particular, Chase
23 wanted support for its "Chase Dream Maker
24 Commitment", a commitment to provide \$500 billion

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1 in home financing to minority borrowers through
2 2010.

14:57:26 3 Now it's common for institutions to make
4 grandiose statements regarding what they intend to
5 do. It is in the results measured a few years out

6 from the press release that speaks to a company's
7 strength of commitment. It is now a couple years
8 out, and Chase has already provided \$175 billion of
9 home financing to minority homeowners. In just
10 over two years, Chase has already achieved more
14:57:46

11 than one-third of its goal. Even with the backdrop

12 of very low interest rates during the past two
13 years, \$175 billion of home financing to minority
14 homeowners is a monumental achievement.

15 It is clear that Chase's commitment to the
14:58:02

16 minority markets is real. Chase has heard and
17 understands AREAA's view that the perception of
18 Asian-Americans as a "model minority" who can
19 effortlessly reach ownership is a myth. It
20 recognizes that the sparse outreach to the

14:58:20

21 Asian-American communities with information on
22 first-time homebuyer loan programs has resulted in
23 many Asian-American families pooling together their
24 resources for that 20 percent down payment so they

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1 can buy a home together. It is accurate that many
2 Asian-American families value the support that an
3 extended family can bring and do want family
4 members to be close by. However, this does not
5 mean that brothers and sisters and cousins and

14:58:48

6 distant cousins choose to live together as a first

7 choice. Asian-American families value being close
8 by, but like all American families, they do not
9 want to be falling all over each other. With
10 AREAA's input, Chase is evolving programs to
11 support each of the family members into becoming
12 homeowners of their own home.

14:59:02

13 J. P. Morgan Chase's merger with Bank One
14 will enhance these efforts to increase
15 Asian-American home ownership. There is little

14:59:16

16 overlap in the home finance operations of these two
17 institutions, so the consolidation of the two
18 entities will not reduce the efforts to serve
19 Asian-American homebuyers. In fact, the addition

14:59:30

20 of Bank One branches in parts of the country where
21 Chase's presence is nominal will greatly increase
22 outreach opportunities to Asian-American
23 communities.

24 This merger also addresses the myth that

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1 Asian-Americans only live on the two coasts of the
2 United States. Recent demographics show large

3 communities of Korean, Hmong, Cambodian, Pakistani,
4 Chinese, Vietnamese, Indian, Laotian, and
5 Thai Americans growing throughout the United
15:00:00
6 States. Examples of these communities include over
7 200,000 Vietnamese and Chinese-Americans in the
8 Houston area and over 33,000 Hmong-Americans in
9 Wisconsin. These are examples of areas where
10 Bank One's presence will enhance Chase's outreach
15:00:16
11 efforts.

12 When the subject of home ownership arises,
13 almost everyone has a visceral reaction to the
14 words. Some feel adamantly that home ownership is
15 an absolute right. Others feel just as strongly
15:00:30
16 that home ownership is an earned privilege.

17 In closing, I would like to share AREAA's
18 perspective. We believe that in America, "Everyone
19 has the right to compete fairly for the privilege
20 of owning their own home." We believe that the
15:00:48
21 merger of J. P. Morgan Chase and Bank One will
22 greatly strengthen that right to compete fairly for
23 the privilege of home ownership, and I hope that

24 you support us in approving this merger.

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1 MS. BRAUNSTEIN: Thank you very much. And
2 thank you to the entire panel. Will the next group
3 of speakers please come forward?

15:02:06

4 Okay, we'll get started with our next
5 panel; and first, so everybody knows the drill in
6 case you haven't heard it, each speaker gets five
7 minutes, and you will be signaled. We have
8 timekeepers here with a box. When the yellow light
9 will go on, that means you will have two minutes
10 left. When the red light goes on along with the
11 sound, a beep, you will note that your time is up.
12 If you have more to say, you can submit written
13 comments into the record.

15:02:24

15:02:36

14 Please at the beginning of your
15 statements, state your name and organizational
16 affiliation, if you have one, for we need that for
17 our court reporter for the record.

18 We'll start with Ms. Grossman.

19 MS. GROSSMAN: Thank you. Thank you for

15:02:50 20 allowing me this opportunity to testify regarding

21 the proposed merger of J. P. Morgan Chase and
22 Bank One Corporation. My name is Tammie Grossman,
23 and I'm the Executive Director of the Illinois
24 Statewide Housing Action Coalition. The mission of

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1 the Statewide Housing Action Coalition is to
2 increase and preserve the supply of decent,
3 affordable, accessible housing in the State of
4 Illinois for low- and moderate-income households.

15:03:14 5 SHAC provides technical assistance to

6 Community Housing Development Organizations and
7 other community-based affordable housing developers
8 working in Illinois. SHAC has offered technical
9 assistance to community-based affordable housing
10 developers in Illinois for more than ten years.

15:03:26 11 This work is funded through contracts with the
12 U.S. Department of Housing and Urban Development
13 and the Illinois Housing Development Authority.

14 Our services include a variety of

15 workshops, training sessions, facilitation, ongoing
15:03:38
16 organization assistance, and project-specific
17 assistance to all aspects of the affordable
18 housing/community development process. Our staff
19 has firsthand experience in the full range of
20 affordable housing development, community

15:03:50
21 organizing, and management of community-based
22 organizations.

23 Over the past several years, Bank One has
24 supported SHAC by giving us monetary support for

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1 our annual convention in November. We appreciate
2 that support. Additionally, we are generally
3 supportive of the memorandum of understanding
4 entered into between the Chicago CRA Coalition and
5 Bank One/J. P. Morgan Chase. However, we would
15:04:12
6 like to see more investment in communities outside
7 of the Chicago metropolitan area, especially in the
8 area of multi-family housing.

9 We are also concerned about the high rate
10 of foreclosures on single-family mortgages and

15:04:28

11 would encourage a continued effort to work with
12 borrowers to prevent foreclosures and to develop
13 innovative ways to decrease foreclosure rates.

14 We would also like to see corporate
15 leadership in philanthropy that Bank One is known

15:04:42

16 for in the Chicago area to continue by urging
17 representatives of J. P. Morgan to appoint a
18 liaison to meet with community groups in the State
19 of Illinois and to continue to serve on the boards
20 of community groups.

15:04:56

21 In conclusion, I would just like to thank
22 you for the opportunity to express our views here
23 today.

24 MS. BRAUNSTEIN: Thank you very much.

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1 Ms. Feidt.

2 MS. FEIDT: My name is Daisy Feidt, and I am
3 here representing Access Living. We're a
4 consumer-controlled Center For Independent Living
5 that works with people that live in the Chicago

15:05:14

6 metropolitan area. And as a Center For Independent
7 Living, we provide services to and advocate on
8 behalf of people with disabilities so that they can
9 live independently.

15:05:26

10 Economic disempowerment is really one of
11 the primary factors that threatens the independence
12 of many people in our community. People with
13 disabilities are almost three times as likely to
14 live in poverty as people without disabilities, and
15 only 32 percent of working-age people with

15:05:40

16 disabilities are employed.

17 These alarming statistics can be largely
18 explained by significant barriers people with
19 disabilities face toward economic empowerment.

15:05:50

20 Some of the most common include attitudinal
21 barriers from employers who don't think they can
22 work; asset limitations placed on Social Security
23 Income recipients; and, relatedly, inadequate
24 Social Security Income that's insufficient to cover

1 even the most basic living expenses; the high cost
2 of rental housing in Chicago; lack of access to the
3 resources offered by financial institutions that
4 could help them achieve economic empowerment
5 because financial institutions themselves are
15:06:18
6 sometimes not accessible to people with
7 disabilities; and, lastly, people with disabilities
8 often have no credit or bad credit caused by high,
9 unanticipated medical bills.

10 People with disabilities make up over
15:06:32
11 20 percent of the population, and this number is
12 expected to grow as baby boomers age. So it's
13 clear that these are barriers faced by a
14 substantial portion of the population.

15 Therefore, J. P. Morgan and Chase and
15:06:46
16 Bank One really have an opportunity and a
17 responsibility to play a pivotal role in overcoming
18 these barriers faced by such a large segment of the
19 population by working with the disability community
20 to develop and implement innovative products and
15:06:58
21 services to address them.

22 Some of the issues we expect to explore

23 with J. P. Morgan and Chase and Bank One in the
24 near future include promoting business ownership by

291

1 people with disabilities; working to promote the
2 development of affordable accessible housing;
3 working to increase disabled access to the consumer
4 bank branches and the services they offer which
5 could include things like offering outreach

15:07:20

6 materials when requested in Braille and large
7 print, providing telephone access for people who
8 are deaf and hard of hearing, and improving
9 physical access to community branches.

10 And as one of the largest financial
15:07:34

11 institutions in the country, J. P. Morgan and Chase
12 as well as Bank One can play a critical role in
13 reducing the 68 percent unemployment rate by
14 affirmatively hiring people with disabilities to
15 work for them.

15:07:46

16 Finally, Access Living has been fortunate
17 to work with Bank One in cooperation with

15:07:56

18 Fannie Mae to launch products which help people
19 with disabilities achieve home ownership. Without
20 the availability of these products which address
21 the most common barriers people with disabilities
22 face toward home ownership, many people with
23 disabilities would really be locked out of one of
24 the most basic American dreams.

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15:08:18

1 As mentioned in the memorandum of
2 understanding between the Chicago CRA Coalition and
3 J. P. Morgan and Chase and Bank One, we look
4 forward to working together to ensure the
5 continuation of the current affordable products or,
6 alternatively, the development of comparable ones.

15:08:32

7 We're hopeful that a successful working
8 relationship lies ahead between J. P. Morgan and
9 Chase and the disability community. However,
10 Access Living's position on the merger will remain
11 neutral until we determine the response of the
12 newly constructed J. P. Morgan and Chase and
13 Bank One to the needs identified by our community

14 as well as their commitment to the terms of the
15 memorandum of understanding.

15:08:46

16 Thank you for the opportunity to testify.

17 MS. BRAUNSTEIN: Thank you very much.

18 MR. PUTRICH: Members of the panel, thank you
19 for the opportunity to speak today. My name is Ty
20 Putrich. I'm President of TIMM, Inc., formerly

15:08:56

21 known as South Bend Lathe in South Bend, Indiana.

22 Generally, my comments today will be focused upon
23 Bank One.

24 In today's economy, business owners and

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1 their employers face pressures from a variety of
2 resources; foreign and domestic competition,
3 governmental regulations, and rising costs, just to
4 name a few. Business owners generally realize that
5 the banking landscape has changed from the days of
6 good ol' boy loans.

15:09:26

7 The concept of knowing your loan officer
8 ensuring that he or she understands your business

9 as well as the strategic direction for your company
10 have been employed for a number of years by
15:09:40
11 progressive businesses. The relationships have
12 evolved into one of a financial partnership.

13 During the year 2000, Bank One changed its
14 CEO, removed five directors, replaced numerous
15 senior managers and modified its loan loss reserves
15:09:58
16 calculations resulting in an increase to the loan
17 loss reserves for commercial loans with
18 approximately \$1.5 billion.

19 During the first quarter of 2001, Bank One
20 ushered in a new era of banking. Gone are the days
15:10:16
21 of financial partnering with your lender.
22 Aggressive, active, commercial loan portfolio
23 management by the leaders of Bank One has presented
24 business owners with a new challenge, one that

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1 involves accurately predicting when your lender
2 will institute a deliberate loan-reduction program.

3 In the 15-month period ending in early
4 2002, Bank One's deliberate loan-reduction program

15:10:48 5 forced their customers to obtain refinancing or
6 face liquidation. Many financial institutions have
7 instituted conservative lending practices during
8 economic downturns, but the size and scope
9 differentiates Bank One's actions.

15:11:06 10 On-and-off balance sheet exposures in the
11 commercial loan area decreased by \$40.7 billion
12 net, or almost 30 percent of their portfolio. The
13 effect of their program on businesses was one of
14 increased cost, substandard refinancing packages,
15 to liquidation of companies and the loss of jobs by
15:11:28 16 their employees.

17 A substantial number of Bank One's
18 customers were converted from normal lending
19 relationships to Bank One's managed assets
20 department. The flooding of customers into the
15:11:44 21 managed assets department coupled with a
22 substantial increase in borrowing requests on the
23 local competing financial institutions left both
24 the borrower and Bank One ill-prepared to execute

1 on the deliberate loan-reduction strategy.

2 Further consolidation in the banking
3 industry will only limit choices and expose
4 American businesses to active, exit loan portfolio
5 strategies during real and forecasted economic

15:12:18

6 downturns.

7 Bank One has since recaptured 600-plus
8 million dollars of the \$1.5 billion loan loss
9 allowances back into income from the commercial
10 loan loss reserves since they began negotiations

15:12:36

11 with J. P. Morgan.

12 I urge the committee to oppose the
13 Bank One and J. P. Morgan merger. Thank you.

14 MR. SAADAH: I'm sorry. Thank you very much to
15 let me be here. I used to work with the Federal

15:12:54

16 Reserve Bank in 1972, 1975, so I got feeling for
17 this group.

18 I have no statement, nothing, just from my
19 heart. I'm a father. I've got a handicapped
20 child. He got a settlement in 1991 from the

15:13:10

21 American National Bank. It was American National
22 Bank at that time. And there were some kind of
23 stock. I wasn't aware with everything. I didn't
24 know about it.

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1 American National Bank, they moved the
2 account from '97 -- from 1997 to American National
3 Bank. They told me it was a different bank, and it
4 was Bank One stock. They moved it to the mutual
5 fund. I didn't know what the mutual fund was.

15:13:40

6 They never told me about the mutual fund. All they
7 told me was we put it in some kind of stock or
8 General Motors or something. It was their own
9 stock, Bank One-owned mutual fund stock.

10 So I don't know anything about it. And

15:13:56

11 they mislead me about my son's age, when he get 18.
12 The amount was about 659,000, to take it out
13 without any -- they declare him disabled after
14 that.

15 And then I was reading in the paper about

15:14:10

16 mutual fund scandal in that thing. I said, what's

17 the mutual fund scandal? What does this have to do
18 with my son? So that amount in 2000 was 659,000;
19 and from 2000 to now -- now the last statement I
20 have, it was about 444. So about 300,000 missing

15:14:32

21 from handicapped child. If they steal from -- I
22 don't know steal. They misuse the money for
23 handicapped child. They have no right to go. I
24 don't know about it. And even if I know, I didn't

297

1 know what the mutual fund is.

2 They are supposed to -- they put in all
3 mutual fund, in all new stock. When they lose,
4 they lose; when they win, they win. And if it's
5 somebody normal, he go out with his broker. He

15:15:00

6 call somebody and tell them, listen, I lose
7 something.

8 He can't. And I trust them. And end up
9 losing all that money. And they told me then --
10 the last time, February 2004, they move his money

15:15:12

11 from that account to ABRA account without even

12 knowing. All they said, Mr. Saadah, we're going to
13 move account. Which account? Where are you going?

14 I've been trying to take the account for three
15 year. And, since the scandal, the mutual fund, I

15:15:28

16 told them I want to take that account. They
17 refused to let me take it.

18 They'll be suing my son, this one. Judge
19 order. From one year, suing my son in same bank,

20 in same judge for the month. It was 659 now, now

15:15:46

21 they get 444.

22 Now last February, they went from scandal
23 to other scandal and ABRA account. I don't know

24 what the ABRA account is. And that's my story.

298

1 If they can't control -- this is
2 handicapped child. How are you going to trust them

3 to doing stuff like this? And the mutual fund, if
4 it's hundred million dollar from the consumer, it's

5 a fraud. They already have investigation for

15:16:22

6 American -- for inspector general -- I mean,

7 attorney general from New York. They invite

8 Bank One and other banks. There's already two
9 other banks indicted for a hundred million --

15:16:36

10 MS. BRAUNSTEIN: Mr. Saadah, you've talked to
11 people at the bank about this?

15:16:50

12 MR. SAADAH: I talked to the bank. I talk to
13 the judge. I get arrested. They get into the
14 judges. They get into the police. They even get
15 into the consumer services, my license. I'm a
16 cabdriver for 20 years. They took my license,
17 March 31st. And I am without job for now and now
18 Mr. Saadah look for lawyer. I want to find lawyer
19 to fight Bank One and the city to get my license.
20 Thank you very much.

15:17:08

21 MS. BRAUNSTEIN: Thank you very much. Thank
22 you to the panel.

23 MR. SAADAH: I have papers for the record for
24 you if you want.

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1 MS. BRAUNSTEIN: You can leave it at the center
2 table or give it to one of the staff. Mike, can

3 you get the papers?

4 We are going to take a short break right

5 now before the next panel comes up, and we'll take
15:17:38

6 about ten minutes. So we'll reconvene at 3:30.

7 And we'll start with the next panel then.

8 (Recess taken.)

9 MS. BRAUNSTEIN: We're going to get started

10 with the next session. And welcome to the panel.
15:30:02

11 Once more through the ground rules. Five minutes

12 per speaker. There are timers here with the box

13 with lights. When the yellow light goes on, that

14 means you have two minutes left of your five, and

15 then the red light and a sound will go off which
15:30:22

16 means your time is up. You are free, of course, to

17 submit written comments as long as you would like.

18 Additionally, please make sure and

19 remember to state your name and your organization

20 at the beginning of your statement. We need it for
15:30:34

21 the court reporter for the record.

22 And with that, we will get started.

23 Ms. Carlstedt.

24 MS. CARLSTEDT: Thank you. Good afternoon, and

1 thank you for the opportunity to address the
2 Federal Reserve panel. My name is Moira Carlstedt.
3 I'm the President of the Indianapolis Neighborhood
4 Housing Partnership.

15:30:54 5 The partnership is a not-for-profit that

6 was created in 1988. Its mission is to provide
7 access to safe, decent and affordable housing
8 opportunities and to create healthy, viable
9 neighborhoods in Indianapolis. The partnership is
10 engaged in home ownership education, single-family

15:31:08 11 finance, multi-family finance, housing research and
12 community development. Our primary customers are
13 minority households and low- to moderate-income
14 families. The partnership is governed by a

15:31:26 15 25-member board of directors comprised of the

16 private sector, community representatives and
17 mayoral appointees.

18 Since 1988, Bank One has been an active
19 and important participant on our board of

15:31:40 20 directors. In fact, Al Smith, who is Bank One's
21 Central Indiana President, is the past president of
22 our board of directors and led us through a
23 significant growth and increased impact in our
24 community. Bank One will remain a long-term -- we

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1 believe will remain a long-term, committed member
2 of our board of directors and we look forward to
3 continuing to work with them.

4 The Housing Partnership prepares people to
5 access a mortgage. The goal is to enable them to
15:32:10 6 access a traditional mortgage at one of our lending
7 institutions. For families who are unable to
8 access a traditional mortgage, they may be able to
9 access a mortgage financed through the Indianapolis
10 Neighborhood Housing Partnership.

15:32:22 11 Our mortgage capabilities are the result
12 of the financial institutions in Indianapolis who
13 have invested in a multi-bank loan pool which then
14 is leveraged against philanthropic resources and
15 government resources.

15:32:36

16 Since 1988, the Indianapolis Neighborhood
17 Housing Partnership has developed four multi-family
18 -- excuse me, four single-family loan pools and one
19 multi-family loan pool. The early pools were about
20 \$10 million of investments from local institutions.

15:32:50

21 However, Loan Pools 3 and 4 were significantly
22 higher. The current loan pool, Loan Pool 4, has a
23 value of approximately \$30 million.

24 Bank One has been the largest single

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1 investor in both Loan Pool 3 and Loan Pool 4 with a
2 commitment of \$5 and a half million to each pool.
3 Negotiating the terms of Loan Pool 4 were a bit
4 challenging because we were dealing with the
5 Bank One representatives outside of Indianapolis.

15:33:20

6 However, with the support and the commitment of the
7 local leadership in Indianapolis, including
8 Al Smith and Denny Bassett, we were able to
9 successfully negotiate terms that are going to be
10 very advantageous for the City of Indianapolis and

15:33:36

11 the citizens that we serve.

12 As a nonprofit, we, like all nonprofits,
13 seek local, state and national contributions; and
14 since 1988, year in and year out, Bank One has made
15 significant contributions to the Housing

15:33:52

16 Partnership and, in fact, is our largest
17 contributor on an annual basis to support
18 operations. Additionally, they have encouraged and
19 brought additional corporate partners to support
20 our operations.

15:34:04

21 For the first time in 2003 and 2004, the
22 Housing Partnership conducted a major community
23 event that drew nearly 14,000 people. This event
24 would not have happened without a major corporate

303

1 sponsor and, in that realm, Bank One stepped up and
2 became the \$100,000 primary sponsor of the event.
3 That event enabled all of those households to
4 understand and become more aware of their
5 opportunities to secure safe, decent, affordable

15:34:30

6 housing and to attain, maintain and sustain that
7 housing over the long-term.

8 Therefore, based on our strong and
9 continuous relationship with Bank One leadership
10 over the years in the areas of board governance,
15:34:44
11 contributions and investments, as well as
12 assurances of a strong, local leadership presence
13 and continued support after the merger, the Housing
14 Partnership is encouraged about its future, its
15 future with Bank One/J. P. Morgan Chase, and we do
15:35:00
16 support this merger. Thank you.

17 MS. BRAUNSTEIN: Thank you. Ms. Robinson.

18 MS. ROBINSON: Good afternoon. My name is
19 Patricia Robinson, and I would like to thank you
20 for this opportunity to comment on this proposed
15:35:14
21 merger with J. P. Morgan Chase and Bank One.

22 I am the Program Director for the LISC
23 Baton Rouge Program in Baton Rouge, Louisiana. As
24 the Program Director, for the last two years, we've

304

1 had a presence in Louisiana's urban and mid delta

2 rural neighborhoods since 1992. We provide direct
3 services to community-based development
4 organizations, as we all know as CDCs.

15:35:44

5 The industry in Louisiana is a fairly
6 young industry. As I indicated, LISC came to the
7 state in 1992. However, we had organizations that
8 had been engaged in this type of work starting in
9 the mid to late 1990s.

15:36:02

10 Bank One has demonstrated its commitment
11 to the Baton Rouge market's nonprofit community
12 economic development practitioners through several
13 resources. Its commitment to the LISC Baton Rouge
14 office has ranged from direct financial support in
15 the office located in Baton Rouge, as well as

15:36:20

16 providing direct financial assistance to some of
17 our CDC partners.

15:36:34

18 I would like to briefly highlight a few
19 examples of the commitment that we've received from
20 the Bank One staff, that staff consisting of
21 Scarlett Dunkeshane at the local level as well as
22 Mike Scott at a statewide level and through our

23 northern partners Sharletta Coleman. The project
24 that I want to highlight centered around one of our

305

1 most distressful neighborhoods. Bank One, through
2 Scarlett Dunkeshane's leadership, took that first
3 initial investment and came to the neighborhood and
4 provided the initial free development dollars and
5 acquisition dollars for this project.

15:37:04

6 This project consisted of three scattered
7 sites, over 300 units, mostly consisting of
8 one-bedroom apartments that were converted into
9 172 units of two-, three- and four-bedroom units.

15:37:18

10 This was an area that no one wanted to take an
11 opportunity to come in and change. Bank One was
12 that first lender at the table.

15:37:34

13 The City of Baton Rouge, Fannie Mae and
14 another local bank eventually came to the table
15 also to finance this project. And I wanted to
16 highlight this project because it showed that this
17 is also a risk-taking financial institution in
18 Baton Rouge in such a new industry.

19 Another example of Bank One's commitment
20 to revitalizing distressed communities in the mid
15:37:48
21 south region of the United States is that our local
22 housing authority is just acquiring a troubled
23 piece of property where, again, Bank One has
24 stepped to the table to provide a letter of credit

306

1 to secure HUD's requirement for this disposition of
2 property, as well as LISC has also partnered with
3 Bank One and other lenders to support this
4 endeavor. That is just the examples of the strong
5 partnership that Bank One has in Louisiana with
15:38:16
6 getting projects done.

7 As I indicated earlier, Bank One continues
8 to be a strong partner in the City of Baton Rouge
9 and in the parish. They provide technical
10 assistance to our CDCs, but they also provide
15:38:30
11 ongoing support. They serve on our local advisory
12 committee as well as different community-based
13 development boards, and they provide leading-edge

14 best practices to our CDC practitioners.

15 Bank One is an invaluable partner in the
15:38:46

16 community, economic development industry in the
17 East Baton Rouge parish and the State of Louisiana.

18 We support them in their merger with J. P. Morgan

19 Chase, and we welcome them and their full-service

20 banking programs to the mid south delta region.
15:39:00

21 MS. BRAUNSTEIN: Thank you very much.

22 Mr. Bradley.

23 MR. BRADLEY: Yes. Good evening. My name is

24 Wallace Gator, G-a-t-o-r, Bradley, B-r-a-d-l-e-y.

307

1 My organization is called United in Peace.

2 First and foremost, let me give honor to

3 God and ask that he bless this merger, assist it in

4 all its rights and endeavors, especially since they

5 are going to invest \$800 billion into our
15:39:30

6 community; and, as we all know, on the back of

7 every one of those dollars is In God We Trust.

8 And, no, this is not a joking matter.

9 And, secondly, I believe that

15:39:46 10 William Harrison, Chairman and CEO of J. P. Morgan

11 and Chase, and Jamie Dimon are men of honor and
12 integrity and men of their words.

13 I would like to also thank Harry Preston,
14 the Community Affair Program Director for the
15 Federal Reserve Bank, and Ms. Lori Trout from
15:40:06

16 Bank One for giving me this information to take to
17 our community and let me know the importance of
18 this merger.

19 I'm a native of Chicago and a participant
20 in almost every election supporting candidates who
15:40:22

21 are familiar with the population on personal
22 levels, what the polls refer to as grass-roots
23 organizations. Many meetings have been held since
24 my involvement in the community of Chicago as a

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1 whole. Many offerings of financial assistance have
2 been placed in every newspaper and network in
3 Chicago.

4 As I sit here before you today, the

15:40:50 5 grass-roots community have yet to see or realize
6 any of the benefits that have been broadcast
7 throughout the neighborhoods of Chicago. Those of
8 us who are recipients of such opportunities have
9 yet to reveal whether the funds have actually
10 reached our organizations; and, for this reason,

15:41:08 11 I'm here to seek the truth about the true
12 intentions of the Federal Reserve Banking System,
13 the two merging banks and the means by which these
14 opportunities will reach the grass-roots community.

15:41:24 15 The minority interest in Chicago may work
16 in the suburbs and downtown, but a majority of the
17 parents, sisters and brothers are still living in
18 the neighborhoods that we represent.

15:41:38 19 As founder of United in Peace, a
20 not-for-profit organization who held a strong
21 presence in all neighborhoods in Chicago, has a
22 specific mission to assist the homeless, uneducated
23 and ex-offenders find jobs, educational
24 opportunities as an option other than running the

1 streets of Chicago and investing in the system
2 through the correctional institution.

3 Our interest has a twofold situation that
4 is readily easy to understand and one that is
5 direct for both the Federal Reserve System and the
15:42:04
6 banking system.

7 It's a matter of record.
8 African-Americans have been working in America, in
9 Chicago since the 1800s. Our work-related past is
10 one that is greatly recorded. African-Americans
15:42:18

11 have been working and would like to continue to
12 work to make our communities healthy and our family
13 life one of quality.

14 To the banking sector of this meeting,
15 please address the liaison between the banking
15:42:32

16 system and the grass-roots neighborhoods instead of
17 English terms. There has been a record of the past
18 banking opportunities that once offered concessions
19 to the City of Chicago and, to this day, have not
20 reached a visible -- a visual. As to date, no
15:42:48

21 results.

22 We read of the millions going to a group
23 of African-American organizations that claim to
24 represent the neighborhoods in Chicago in the past.

310

1 They are not available to community, to extend that
2 blessing. They are visible when it's time for the
3 community to invest with these organizations to
4 learn how to get the funds only, although a very
5 few ever do.

15:43:14

6 I would like to know if these same few
7 individuals, the same individuals who were to have
8 organized distribution of funds in the past, have
9 exclusive rights here. If so, the policies must
10 remain public to eliminate future scandals and

15:43:30

11 squandering of dedicated funds and favorable to all
12 Chicago. Our team is ready, willing and able to
13 assist with the communications between the banks
14 and the grass-roots people.

15 In respect to the Federal Reserve Bank

15:43:48

16 System, since my access to the politicians from the

17 late great Honorable Harold Washington, Reverend

18 Jesse Jackson to the local communities stemming

19 from the Olympics in Atlanta, I would like to

20 express for the record that there has been funds

15:44:04

21 that were and are available to develop and create

22 jobs.

23 One of the things that I heard earlier is

24 that how the pay loans have been taking advantage

311

1 of the money. I think the legislature body ought

2 to make rules to regulate those pay loans and that

3 they don't put it on the backs of the banks. Thank

4 you. I am in full support of the merger.

5 MS. BRAUNSTEIN: Thank you very much.

15:44:36

6 Ms. Stewart.

7 MS. STEWART: Good afternoon. I would like to

8 thank the Federal Reserve Bank for providing me the

9 opportunity to comment on the proposed merger of

10 J. P. Morgan Chase and Bank One.

15:44:46

11 My name is Diana Brown Stewart, and I'm

12 the Executive Director of Jefferson East Business
13 Association, a nonprofit community development
14 corporation on the far east side of Detroit,
15 Michigan. Our organization serves citizens in the
15:44:58
16 metropolitan Detroit area. Our target boundaries
17 for the revitalization work Jefferson East Business
18 Association does is within a 4 square mile of
19 Detroit's east side.

20 Jefferson East Business Association was
15:45:12
21 founded in 1995 by a group of entrepreneurs and
22 residents who wanted to see a change and
23 improvement along the business corridor. The
24 mission of Jefferson East Business Association is

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1 to improve the quality of life on the lower east
2 side of Detroit by addressing the needs of the
3 business and residential community.

4 To address our mission and our focus,
5 Jefferson East has established four primary
15:45:36
6 programs: Business development; clean and safe
7 initiatives; design and real estate development;

8 and promotions.

15:45:48 9 Through our business development program,
10 we provide counseling, training, advocacy, research
11 and business retention and recruitment strategies.

12 Our clean and safe program implements
13 beautification, code enforcement and community
14 policing initiatives. The design and real estate
15 development program includes facade improvement

15:46:02 16 grants, historic designation, financial incentives
17 for development, and East Side Jefferson Avenue
18 Streets improvement.

19 We implement promotion activities as well
15:46:16 20 to highlight and market the businesses along our
21 district and to have street festivals, holiday
22 decorations and holiday sing-alongs and quarterly
23 newsletters and membership meetings to get the
24 concerns voiced by our community businesses.

313

1 Jefferson East Business Association's
2 relationship with Bank One began in 1996 and, at

15:46:44 3 that time, it was called the National Bank of
4 Detroit. When Jefferson East Business Association
5 wanted to include representatives from the
6 financial industry, the local bank, Bank One,
7 branch in our community was approached and accepted
8 the invitation to serve. The rest is history.

15:46:58 9 Bank One has maintained a seat on our
10 board since 1996 and are actively involved in our
11 organization's program services. Presently,
12 Bank One sponsors our business development center
13 programs with financial grants, serves on our
14 business development committee, provides technical
15 assistance for our clients, partners with us on our

15:47:14 16 community service projects, participates in our
17 entrepreneur training, recently awarded our
18 organization a hundred thousand dollar line of
19 credit.

15:47:26 20 Bank One is a solid partner of Jefferson
21 East Business Association and has proven that
22 through their involvement, support and commitment
23 throughout the years. They understand that
24 bringing a vision to reality takes involvement and

1 partnership. Partnership with a nonprofit
2 organization to assist them in sustaining their
3 programs to develop and build strong communities is
4 a concept that Bank One gets.

15:47:50 5 I was concerned when I initially learned

6 about the proposed J. P. Morgan Chase and Bank One
7 mergers. These are the questions I asked myself:
8 What type of involvement will the bank have with
9 nonprofit groups? Will the bank's commitment to
10 development increase or decrease? Can we expect

15:48:06

11 the bank to maintain its branches in the
12 neighborhood to serve the area residents? Will the
13 great bank representatives that we presently work
14 with remain with the bank?

15:48:20 15 These questions were somewhat answered,

16 and I asked myself and I asked the bank
17 representatives who I have a relationship with; and
18 by doing some research and through conversations
19 with individuals that are familiar with

15:48:36 20 J. P. Morgan Chase, I learned that J. P. Morgan
21 Chase has a positive reputation of community
22 partnership, involvement and demonstrates
23 commitment to economic and community development.
24 From my years of experience with Bank One

315

1 and from what I have learned about J. P. Morgan
2 Chase's history of nonprofit and community support,
3 I think and expect the merger to benefit my Detroit
4 community and constituents. The merging of the two
5 banks' similar community involvement philosophies
15:49:04 6 assures me that the merger will strengthen the bank
7 which will provide them with more resources to
8 strengthen the community.

9 I support the merger of Bank One and
10 J. P. Morgan Chase and look forward to the
15:49:20 11 continued organizational and community involvement
12 as we expand our partnership to build strong,
13 viable neighborhoods.

14 MS. BRAUNSTEIN: Thank you very much.

15 MS. DeBONNETT: Good afternoon. My name is

15:49:32

16 Pat DeBonnett. I am the Executive Director of
17 Great Roseland Community Development Corporation.
18 I would like to thank you for the opportunity for
19 this open mic experience. I do not have a prepared
20 statement. However, I would like to just speak

15:49:48

21 from my heart and thank you again for the
22 opportunity.

23 I would like to encourage the J. P. Morgan
24 Chase/Bank One merger to continue to support the

316

1 local community-based organizations' involvement
2 and participation in the revitalization of our
3 communities.

4 I'm a lifetime resident of the City of
5 Chicago, and I have been an armchair planner. I

15:50:16

6 call myself a self-styled armchair planner with
7 roles in the communities of Chicago. Those
8 communities consist of Historic Pullman, Roseland
9 and West Pullman. It's a community that has -- the
10 Roseland community has the highest home ownership

15:50:32

11 rate in the City of Chicago. However, for about
12 20 years back in the '70s, it experienced the
13 highest foreclosure rate in the country; and, at
14 this time, we have over 500 vacant but yet
15 affordable beautiful homes in the area, which a

15:50:48

16 number of those homes are nonperforming assets of a
17 number of banks.

18 The mission of Great Roseland Development
19 Community Corporation is driven by the need to
20 provide or ensure the implementation of the many

15:51:02

21 development plans that have been organized from the
22 grassroots or actually a broad base of the
23 community, the lenders, the insurers, the
24 residents, the community-based organizations

317

1 working together.

2 And oftentimes in larger mergers, I just
3 want to make certain that we had an opportunity to
4 have dialogue with the lenders, with Bank One, with
5 Chase and the bank merger to ensure that you're

15:51:32

6 getting what's called the mission from the
7 grass-roots stakeholders in the community because
8 banking is, of course, an issue or it's very
9 personal and trust has to be mutual. And we're
10 committed to ensuring the success of all of our
15:51:52
11 communities and improving the quality of life of
12 those persons and people within the inner city
13 communities.

14 I welcome the merger, but I again
15 encourage you to ensure that there is grass-roots
15:52:08
16 participation and that the funding is supporting
17 also the grass-roots initiatives as well.
18 Thank you.

19 MS. BRAUNSTEIN: Thank you very much.
20 Mr. Espinoza.
15:52:22

21 MR. ESPINOZA: First of all, let me thank the
22 Federal Reserve Bank for allowing us to testify
23 today.

24 I'm president and CEO of the Raza

318

1 Development Fund. We are the largest Latino CDFI

2 in the country. We are a subsidiary of National
3 Council Raza which is the largest civil rights
4 organization for Latinos based out of Washington,
5 D.C.

15:52:50

6 There has been a letter that was drafted
7 by our parent that has been submitted to the record
8 in New York, so I won't reiterate that letter. I
9 should point out there are some concerns that I
10 feel J. P. Morgan Chase and Bank One are

15:53:04

11 addressing. One of the issues obviously is the
12 access to capital and the floor plate that the bank
13 is going to include in the merger that Latino and
14 Hispanic families across the country have access to
15 capital.

15:53:22

16 That's basically where the Raza
17 Development Fund comes in. There has been --
18 actually, we did some homework, and there's been a
19 relationship with J. P. Morgan Chase that had gone
20 back to funding an office of ours in Puerto Rico

15:53:34

21 that serves the Latino community there. And our
22 President and CEO had also served and participated

23 with a committee dealing with mortgage lending out
24 of J. P. Morgan.

319

1 Our fund, the Raza Development Fund, just
2 recently closed a loan with Bank One which was for
3 a charter school.

4 So our focus today is to endorse the
5 merger, and let me explain for a moment. I know
15:54:10

6 there is always controversy when banks merge. A
7 question to all of us in the community is will we
8 get service in our communities, especially will
9 poor communities have access to this capital? We
10 have noticed recently that Bank One, at least in
15:54:28

11 Arizona and some of the areas in Texas, has been
12 effectively working with some of our affiliates.

13 As far as we're concerned, we feel that we
14 are in the process presently of putting together a
15 partnership that we feel will service the Hispanic
15:54:44

16 community in years of providing home ownership, in
17 the area of community development, in the areas of
18 charter schools, facility lending, and a third area

19 which is an exciting area of putting together a
20 community development, in effect, a think-tank of
15:55:02
21 executing models for community development in
22 partnership with ASU and a number of other
23 universities.

24 So we're excited about the merger. We

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1 feel that so far the relationship has been
2 excellent. We've had a number of meetings, and we
3 look forward to working with the whatever name
4 comes out of this merger, whether it's J. P. Morgan
5 or Chase. I hope it's not J. P. Morgan Chase Bank
15:55:30

6 One. That would be really difficult.

7 MS. BRAUNSTEIN: That's a mouthful.

8 MR. ESPINOZA: Thank you very much once again.

9 MS. BRAUNSTEIN: Thank you very much and thank
10 you to the entire panel. And will the next group
15:55:40

11 of speakers please come forward?

12 As you have probably heard, five minutes
13 per speaker. The timekeepers are right there. The

14 yellow light means two minutes left; red light and
15 the noise means time is up. And please state your
15:56:44
16 name and organization at the beginning of your
17 remarks for our record.

18 MR. PITRE: My name is Robert Pitre. I'm
19 President of the Entrepreneurs Association of
20 Texas. I would like to thank Byron Reed of
15:57:00
21 Bank One, Mark Willis of J. P. Morgan Chase for
22 listening to some of the personnel issues I have
23 with Bank One.

24 I spent 15 years in a Beaumont Housing

321

1 Project as a young boy. I started my business
2 28 years ago with \$300. I have seen all the Texas
3 banks fail. I have seen the developers, the
4 insurance companies, the savings and loans. None
5 of the money was spent in the black community of
15:57:38
6 the failed institutions, and I thank God that I'm
7 still in business.

8 I might be the largest landholder of prime
9 real estate in Dallas. My company owns 120 acres

15:57:58 10 of prime commercial real estate, more than

11 5 million square feet of real estate in Dallas.

12 But I had to go one block out of Dallas to borrow
13 money for my business to the Bank of DeSoto, one
14 block out of Dallas in another city.

15:58:16 15 What I see in banks in Dallas, that

16 they're buying banquet tickets, donating money to
17 nonprofit organizations and very little commercial
18 lending in the black community.

19 The Federal Reserve needs to measure the
20 effectiveness of the Community Reinvestment Act by
15:58:44

21 measuring the commercial lending practices of
22 banks. One of the reasons the black community of
23 America is so blighted is because very little
24 commercial lending is made to small black

322

1 businesses. American banks are investing hundreds
2 of billions of dollars in other countries and very
3 little in the black community of America.

4 I would like to see the Bank Ones and the

15:59:24 5 J. P. Morgan Chases and the people that have been

6 here purportedly with organizations that have
7 expressed how good and fair that the banks have
8 been in their community, I would like to see that
9 part of Chase and Bank One come to Dallas to the
10 black community and make some loans because our

15:59:42

11 community is blighted.

12 The banking officers, when Bank One came
13 to Dallas, they hired more black officers than any
14 other bank. None of the black officers with
15 Bank One, they're not making loans in the black

16:00:02

16 community anymore, and they have lost their lending
17 authorities.

18 I think that the Federal Reserve can help
19 force these institutions to invest in the
20 community, and I think it's very necessary to gauge

16:00:22

21 what they do by their commercial lending. And if
22 you look at their commercial lending in the inner
23 cities of America, you would see very little.

24 Thank you.

1 MS. BRAUNSTEIN: Thank you. Ms. Bares.

2 MS. BARES: Good afternoon. My name is

3 Kimberly Bares. I am the Executive Director of

4 DevCorp, and I want to thank you for the

5 opportunity to provide testimony today.

16:00:46

6 DevCorp North is the business, community

7 and economic development nonprofit 501(c)(3)

8 organization for Rogers Park, a community on the

9 north side of Chicago.

10 We support and applaud the banks'

16:00:58

11 discussions with the Chicago CRA Coalition and the

12 Woodstock Institute and understand the outcomes to

13 include targets for home and small business

14 lending, provisions for guarding against the

15 origination and purchase of predatory loans, for

16:01:10

16 reducing foreclosures, for various special products

17 designed for special groups of customers, the

18 addition of bank branches in low- to

19 moderate-income areas, and increased levels of

20 community development grants and investments. The

16:01:24

21 agreement also contains provisions for the regular

22 review of data that permit effective monitoring of
23 the agreement.

24 In addition to this agreement, though, is

324

1 the need to do considerable outreach to the many
2 community organizations that are supported by
3 Bank One and presumably will continue to be
4 supported by the new bank.

5 DevCorp North has received support for our
16:01:42

6 local economic development work from Bank One for
7 several years and we highly value and appreciate
8 that relationship. We've been interested in
9 expanding that relationship to include more active
10 involvement from local Bank One branches and

11 personnel in our programs and services, involvement
12 that we currently receive from several other banks
13 in our lending areas.
16:01:56

14 However, to date, this has not occurred
15 and we hope that the importance of personal

16 relationships and involvement will not be lost in
16:02:08

17 this acquisition/merger.

18 There was incredible outreach done by both

19 banks in anticipation of these hearings. It is my

20 sincere hope that the outreach efforts and new

16:02:22

21 relationships that are being created now are not

22 lost or set aside once the acquisition/merger is

23 complete, but instead provide the foundation for a

24 bank that is known for its national position and

325

1 its local commitment to relationships. Thank you.

2 MS. BRAUNSTEIN: Thank you very much.

3 MR. PITRE: I have one more thing.

4 MS. BRAUNSTEIN: Sure, you didn't use up all

5 your time.

16:02:46

6 MR. PITRE: I was at a Chase Bank in Dallas

7 across from the Veterans Hospital, and there was a

8 veteran there that was trying to change a \$100 bill

9 to lend to one of his friends tat he was in Vietnam

10 with. And he went into the Chase Bank and I was

16:03:04

11 behind him in line, and he asked the teller to

12 change his hundred dollar bill. And they said

13 that-- asked him if he had an account. And the
14 gentlemen said, no, I don't have an account. They
15 said, well, we cannot change your hundred dollar
16 bill. And the gentlemen kept saying, this is
17 American currency, why can't you change my hundred
18 dollar bill?

16:03:20

19 And I think that when you look at -- there
20 are banks -- I'm not speaking of Chase, but there
21 are banks in Dallas that charge a customer \$5 if
22 you don't have an account at the bank. If someone
23 writes you a check and you go to the bank, they
24 charge you \$5 of your money no matter how much the

16:03:34

326

1 check amount is.

2 The way these banks are growing in our
3 community, it's getting harder to deal with them.
4 They don't -- if you don't have an account with the
5 banks, you can't buy a cashier's check, a money
6 order. I mean, they're getting away from the
7 people and communities that really need a bank.

16:04:02

8 Thank you.

16:04:22 9 MS. BRAUNSTEIN: Thank you. And thank you to
10 both of our speakers. Will the next group of
11 speakers come forward, please.

12 Welcome. We have five minutes allotted to
13 each speaker. There are timekeepers there that
14 have a box with lights, and a yellow light will
15 tell you when there's two minutes left in your
16:05:14 16 presentation, and the red light and the noise will
17 alert you that your time is up.

18 Please state your name and organization
19 for the record when you begin. And with that,
20 please begin.
16:05:28

21 MS. PRUNEDA: My name is Rose Pruneda, and I am
22 with the Hispanic Internal Revenue Employees
23 National, Incorporated. I am a Regional Vice
24 President for Mid States North. We are nonprofit

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1 organization that focuses on community outreach to
2 our low-income areas. I'm also the Vice President
3 of Communications of the North Texas Chapter of

4 HIRE.

16:05:56 5 In November 2002, I had the privilege of

6 meeting Sophie Guerra from Bank One Community

7 Investment Management Group Market Manager when I

8 was serving my final term as the Texas Chapter

9 President. During this meeting, we determined it

16:06:10 10 would be in the best interest of both organizations

11 to join forces in an effort to provide much needed

12 free services to our low-income communities. These

13 free services would include W7, IT preparation and

14 document notarization; 1040 electronic filing and

16:06:26 15 tax preparation; outreach educational classes

16 surrounding federal tax regulations for small

17 business taxpayers, as well as low-income tax

18 issues; and classes surrounding federal investments

19 called Access to Capital.

16:06:38 20 Our joint efforts reached across the

21 Dallas/Fort Worth Metroplex and touched a diverse

22 community, which included the Hispanic community,

23 the hearing-impaired community, and the Vietnamese

24 community.

1 Prior to each filing season, the HIRE
2 employees held several tax filing classes in an
3 effort to train our new Bank One partners.

4 During the 2002 filing season, both of the
5 organizations joined forces and provided a total of
16:07:02
6 1,385 combined volunteer hours. Bank One processed
7 215 W7 I-10 applications during the month of
8 November 2002.

9 In 2003, we increased our efforts and we
10 have established 12 one-day VITA sites and two
16:07:20
11 permanent VITA sites which were opened anywhere
12 from one to four days a week through April 15th tax
13 deadline. Bank One employees were present at each
14 of these sites to help provide the free services
15 mentioned above.

16:07:36
16 In addition, this year Bank One added an
17 additional free service which consisted of
18 activating a store value part for those taxpayers
19 who normally would not qualify for a bank account.
20 This service would allow the taxpayer the ability

16:07:48

21 to receive their tax refund quicker through direct
22 deposit.

23 While all of our community outreach hours
24 have not yet been accounted for as of today, we

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1 have given a total of 2,255 volunteered hours
2 during the filing season 2003 to the
3 Dallas/Fort Worth community. As a result of our
4 Bank One and HIRE partnership in the
5 Dallas/Fort Worth area, we have far exceeded last

16:08:12

6 season's total.

7 Over the last couple of years, HIRE found
8 it more and more difficult to obtain computer
9 equipment in order to provide free services. So in
10 January 2004, our North Texas Chapter of HIRE

16:08:24

11 received a grant from Bank One. This allowed the
12 organization to purchase three lap tops and three
13 scanner/copier/printers. This will also allow our
14 volunteers to continue to provide free services
15 throughout the year to our community.

16:08:38

16 During the 2003 HIRE National Conference
17 in Albuquerque, New Mexico, both Bank One employees
18 and HIRE North Texas Chapter employees were
19 recognized for the joint efforts in providing a
20 much needed service to our community. As a result
21 of this recognition, HIRE chapters began making
22 contacts with other Bank One representatives in
23 their local area in an effort to mirror our
24 activities.

16:08:52

330

1 Currently, HIRE National is exploring to
2 expand our existing partnership with Bank One by
3 establishing a national outreach agreement between
4 Bank One and HIRE National, Incorporated. This
5 will cover 37 chapters. We hope this agreement
6 will encourage chapters of HIRE National across the
7 country to partner with their local Bank One
8 representatives and establish a local outreach plan
9 which will offer free services to low-income
10 individuals within their communities.

16:09:14

16:09:28

11 We also do hope to present a final draft
12 of this agreement at the 2004 National Conference
13 held in July in Los Angeles.

14 In closing, on behalf of HIRE National,
15 North Texas Chapter of HIRE, I want to personally
16:09:40
16 thank Sophie Guerra and Bank One for the continued
17 support to our organization and their commitment to
18 serving low-income and minority communities. Since
19 both financial institutions are committed to
20 serving the low-income and minority communities,
16:09:56
21 the combination of their commitments should
22 strengthen the efforts of organizations similar to
23 ours to reach more of the underserved population.
24 Thank you.

331

1 MS. BRAUNSTEIN: Thank you. Mr. Sise.

2 MR. SISE: Thank you for providing this
3 opportunity to comment on the J. P. Morgan
4 Chase/Bank One merger. My name is Michael J. Sise,
5 and I am the president of the Beverly/Morgan Park
16:10:20
6 CDC.

7 The Beverly/Morgan Park CDC is a
8 nonprofit, community-based, economic development
9 agency that has been active in the Beverly Hills
10 and Morgan Park communities on the far south side
16:10:32
11 of Chicago since 1977. We serve a diverse area of
12 over 70,000 residents. We are a delegate agency of
13 the Department of Planning and Development for the
14 City of Chicago; and we specialize in providing
15 technical assistance to developers and businesses
16:10:52
16 in our service area.

17 We also perform development work ourselves
18 in blighted sections of our service area that are
19 not being served by for-profit developers.

20 We have had a relationship with Bank One
16:11:06
21 for approximately 15 years and have benefited from
22 many annual operating grants from Bank One. We
23 could not have continued our work without its
24 assistance. Bank One's operating grants have been

1 a significant part of our approximately \$100,000

2 annual budget.

16:11:32 3 We support the J. P. Morgan Chase/Bank One
4 merger because we feel that this merger will
5 benefit the communities and organizations that it
6 is currently serving and community development
7 programs in the Chicago area. The new bank will
8 have a trillion dollar asset base and will be more
9 efficient and better able to serve our community.

16:11:48 10 With Chicago being the base for its retail
11 operation, we should receive the best services and
12 products any bank could offer. Bank One has a
13 historical commitment to community investment in
14 the Chicago area, and it has a great, reputation
15 among community development organizations.

16:12:04 16 Bank One is currently building a beautiful
17 new branch facility in our community on
18 95th Street, and this facility is helping
19 rejuvenate an area that was becoming blighted and
20 depressed. Also Bank One has sponsored many
16:12:18 21 training programs that have helped our staff
22 improve their skills about lending and management.

23 Bank One was a very strong supporter of

24 CANDO for many years before its recent demise and

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1 CANDO was an important organization for Chicago
2 area development organizations.

3 Once again, we support the merger and feel
4 confident that the new bank will continue to
5 provide excellent banking services to individuals,
6 nonprofit agencies and businesses in Chicago and
7 especially in our service area.

16:12:46

8 Thank you for your attention to this
9 statement.

10 MS. BRAUNSTEIN: Thank you very much.

16:12:58

11 Ms. Vates.

12 MS. VATES: Good afternoon. I am Cathy Vates,
13 the Director of the Rogers Park Community
14 Development Corporation. We're located on
15 Chicago's far northeast side, but our work takes us
16 across the city and into the surrounding suburban
17 areas. We are a nonprofit community development
18 organization with a seven-year history, not at all

16:13:08

19 like my neighbor here who's been around a lot
20 longer.

16:13:22

21 We have had a relationship with Bank One
22 since our founding. We are a HUD-certified city
23 delegate agency, and our chief service to our
24 community area is that of housing counseling. One

334

1 of the services that we offer to residents of the
2 area is first-time homebuyer training. We see
3 clients who are just beginning the process of
4 homebuying, and we also see persons who have found
5 a home, applied for a mortgage and are preparing

16:13:48

6 for closing.

7 Most of our clients are families with low-
8 to moderate-income, based on area median income of
9 the area median income scale employed by HUD. We
10 find many of our clients choose mortgage products

16:14:02

11 from Bank One because of the exceptional first-time
12 homebuyer product array they offer.

13 In addition to the products available,
14 Bank One representatives have been knowledgeable,

16:14:16 15 welcoming and pleasant to work with, both from the

16 client's perspective and the agency's perspective.

17 Bank One employees have regularly gone beyond the

18 expected in servicing our clients. While we

19 recognize this has often reflected a personal

16:14:34 20 relationship built by this agency and its employees

21 with Bank One employees, we also recognize that the

22 corporate culture of Bank One has nurtured and

23 supported these relationships.

24 We appreciate the opportunity Bank One has

335

1 created in the Chicago metro area for many low- and

2 moderate-income families to purchase their first

3 home with a Bank One product.

4 Bank One has also been a leader in

16:14:58 5 innovative product development for specific classes

6 of homebuyers. For example, we are currently

7 working with Bank One, Fannie Mae, the Mayor's

8 Office for People With Disabilities and Access

9 Living on the development of a product for families

10 that include a disabled member.

16:15:12

11 This product takes into consideration the
12 special circumstances many of these families
13 experience, for example, increased and long-term
14 medical obligations often offset by support from a
15 third party or agency. This product offers special

16:15:28

16 consideration for those financial circumstances,
17 increased mortgage ratios, and an additional
18 counselor assistance with family budgets.

19 The advantage of stable housing often
20 affords the same family benefits through the city's

16:15:44

21 H-rail program or modification programs offered by
22 Access Living. Bank One is the only Chicago
23 lending participant in this program.

24 We are one of the four citywide counseling

336

1 agencies working with the CHAC Choose to Own
2 Program. Bank One is a lender in this program.
3 The program supports working individuals to convert
4 their rental subsidy into a mortgage payment for
5 15 years. In the case of a disabled individual

16:16:12

6 with adequate income to support some mortgage, the
7 subsidy is for the 30-year length of the loan.

8 This program creates opportunity for
9 individuals who would be life-long renters to begin
10 to build housing stability and personal wealth.

16:16:28

11 This is a life-altering experience for these
12 families and for generations to come. We have had
13 62 successful closings in this program in the last
14 two years. This well-designed program offers
15 post-purchase support to those families to ensure

16:16:44

16 that they are successful homeowners, not merely
17 homebuyers. Bank One is a leader in mortgage
18 lending in this outstanding program.

19 Bank One has also assumed a leadership
20 role in the Greater Chicagoland Housing Counseling

16:16:58

21 Collaborative, an organization dedicated to the
22 best practices and housing counseling in the
23 Chicago metro area. Representatives of Bank One
24 have been on this board since -- have been on the

1 board of this organization since its founding.
2 They have given leadership and direction to the
3 organization and have been active in presenting
4 Bank One affordable products and new programs to
5 the group. Bank One representatives have assisted

16:17:26

6 with space needs for organization meetings,
7 refreshments, and have supported the administrative
8 functions and expenses.

9 We are grateful to the leadership and the
10 ownership they have demonstrated in their continued

16:17:38

11 support of this organization.

12 These are but a few of Bank One's
13 activities with individual agencies across the
14 region.

15 We also participate in the CRA Coalition

16:17:50

16 that met with Bank One and J. P. Morgan Chase
17 several weeks ago to begin a dialogue. While we
18 feel we have no substantive relationship with the
19 new entity that is proposed by this merger, based
20 on past performance and relationships with the

16:18:04

21 corporate entity of Bank One, we are looking

22 forward to forging a new and expanded working
23 relationship.

24 RPCDC is proud to count itself among the

338

1 Bank One supporters in Chicago.

2 MS. BRAUNSTEIN: Thank you very much and thank

3 you to our panel. And I know we have a speaker

4 left who had signed up, but I would ask at this

16:18:34

5 point if there is anybody here in the room who has

6 not spoken today who would like to make a statement

7 to please come forward at this time? Okay.

8 You have five minutes. I think they

9 probably explained the rules to you. Five minutes.

16:19:04

10 We have timekeepers who will -- a yellow light will

11 notify you that you have two minutes left, and the

12 red light and the noise will tell you the time is

13 up. And if you could please clearly state your

14 name and if you've got an organization affiliation

16:19:18

15 for the record.

16 MR. NELLES: My name is Allen Nelles,

17 N-e-l-l-e-s. I'm independent, and I don't work for

18 the bank.

19 We'll start with some of my own personal

20 experiences directly with Bank One. At one time
16:19:38

21 they were having a sweepstakes contest of some

22 sort. I was just walking around downtown and I

23 happened to be passing their building. It's the

24 old First National Bank Building, I think, with the

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1 groping sides like this, and there was some of

2 their people out there dressed like Evergreen

3 trees, green outfits, walking around, handing out

4 these contest game piece cards.

5 A young woman urged me to take one and
16:20:04

6 said something like the million dollar winner is

7 here, the bunch she had in her hand. Well, she's

8 not supposed to know that, so I had to get some

9 clarification, is she guaranteeing that it's in

10 there. No, well, she really didn't mean that. So
16:20:20

11 then she said, rub the spot. So I did that, and I

12 won I think \$50 in a new account or some such thing

13 like that.

14 And so I went into the bank. I always

15 read the fine print, and it says, see official
16:20:34

16 rules. So I went in the bank and I had to read

17 everything to them on the card. Apparently they

18 weren't prepared. They don't read all the stuff.

19 It's grade school reading.

20 So one person went to look for the rules.
16:20:46

21 They weren't posted anywhere which would have saved

22 the time I wasted, their time and my time talking

23 to somebody. They could have had the rules hanging

24 there somewhere. But they didn't so they went off

340

1 looking. And pretty soon a second and third person

2 came up, asking me what I wanted. So now three

3 people are looking for something that's supposed to

4 be there already.

5 When I read the rules, I find I wasn't
16:21:06

6 supposed to rub the spot except in front of one of

7 their bankers. So the girl outside gave me the

8 wrong information. Now is the question did I

9 really win my \$50 in my account?

16:21:22 10 Can you see where this is leading? These

11 are the kind of people that are running our banks.

12 They can't get grade school reading correct.

13 I was in there another time with my

14 elderly mother, and she had one of these

16:21:40 15 certificate of deposits she wanted to roll over.

16 We sat down at a cubicle with the woman from the

17 bank, and the woman said to my mother something

18 like, oh, we're going to adjust your interest rate.

19 And I looked over at the papers and I said, mom,

16:21:54 20 they're lowering your interest rate. The woman at

21 the bank desk objected. I said, no, you're not

22 just adjusting it, you're lowering it. Tell her

23 the truth. Don't mislead her. She's an old lady.

24 She doesn't see well. I said, I bet if you were

341

1 raising the interest rate, you would use the word

2 raise, wouldn't you? Not adjust. So she objected

3 again.

4 I believe these kinds of businesses should
5 shrink or fail. Not get bigger and prosper. I
16:22:18
6 think somebody has to speak up.

7 We're in kind of society where somebody
8 who doesn't have an account number or charge card
9 or fingerprint scan, an eye scan, et cetera, can't
10 do anything. They can't do business. If you look
16:22:34
11 on your cash, it says, "This note is legal tender
12 for all debts, public and private." Cash is the
13 universal means of doing business.

14 Bankers came along and stuck that third
15 hand in the transaction there. They want to shave
16:22:46
16 a few percent out of everybody's side. They don't
17 care whose side. Both sides if they can.

18 And the way I do business, they don't
19 contribute. They don't do the work. They didn't
20 hire me. Why should they get any money? I have
16:22:58
21 yet to figure this out.

22 If you read your Bible, you will find that
23 the antichrist is going to take over everything
24 using numbers. Cash is a way to frustrate that.

1 He needs some big centralized computerized numbered
2 system so he can walk in and take it over. If all
3 of us do business by cash, he will probably never
4 find us. Won't know we're there. And we suffer
5 the wrath of God with the fire and brimstone if we
16:23:28
6 cooperate with him, by the way. I think it's
7 Revelation, Chapter 14.

8 So if you all think about this, the reason
9 cash was invested was to make business simple and
10 easy. Banks came along with their greed. They
16:23:38

11 know they want to make a lot of money and they
12 don't want to do a lot of work. Bible says, be
13 diligent in business. It doesn't sound very
14 diligent to me. We need hard-working people to
15 make this country grow, not people sitting around
16:23:50

16 shuffling papers and charging people for that,
17 wanting to hold my money, tell me the rules under
18 which I can get it back at their location under
19 their rules during their hours. And charge me for
20 that.
16:24:06

21 Here's a Levi's Sweepstakes. I can't even
22 enter this if I buy something with cash. It's
23 specifically in the rules. I have to use a credit
24 card.

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1 I've become a second-class citizen in my
2 own country, an honest, hard-working guy -- my time
3 is up. Thanks.

4 MS. BRAUNSTEIN: Thank you very much.

16:24:28

5 Once again, I will just ask, is there
6 anyone that would like to come forward who has not
7 spoken today?

16:24:44

8 Okay. With that, I just have a few
9 closing remarks. I would like to, first of all,
10 thank the members of my panel who have worked here
11 all day today, Jay, Walter, Alicia. A special
12 thanks to Alicia because not only has she sat on
13 the panel all day, but she was very involved in the
14 preparation and basically was our hostess for the
15 day and was in charge of all the arrangements that

16:25:02

16 made this happen.

17 And with that, I would like to just say

18 for the record that these meetings don't just

19 happen by themselves. It takes the hard work of a

20 lot of people and a lot of effort, a lot of time,

16:25:16

21 and that was definitely put in here. I would like

22 to acknowledge a few people. I know I will not get

23 everybody, and I apologize ahead of time if for

24 some reason your name was left off, but I really

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1 want to extend our thanks to everyone who worked so

2 hard to make this happen.

3 In particular, a few people that are very

4 noticeable today, our timekeepers. I would like to

5 thank them, Helen and Sherry who sat here all day

16:25:40

6 and made sure people kept on schedule. Our ushers

7 who got people effectively in and out, and that's

8 no small measure, especially through security. So

9 I would like to thank Sally. I saw you running

10 back and forth all day, Sally Skoff. And

16:25:58

11 Mike Barry. And I know there were others.

12 Frank Squares was involved with that. Jerry Boyle
13 was very involved with that. Steve Keel,
14 certainly.

15 I'd would also like to thank
16:26:14

16 MaryJo Konestra, Harry Pestine, and Patrick Wilder
17 for all their work and their staff. And then those
18 who were constantly adjusting the agenda for us
19 like Jennifer Korman, who was running copies back
20 and forth, I would like to thank her, too.

16:26:28

21 Barb Sholderz and Loretta Novak who were working
22 all day today. And James Piper and Carrie Wrait,
23 and all the security people who did a great job
24 today.

345

1 Also I'd just like to mention, because I
2 have to go home to Washington, the board staff that
3 worked so hard also to make this happen. In
4 particular, I would like to note Beverly Smith and
5 Eric Morris, who were here from Washington and
16:26:50
6 worked hard on getting this together.

7 So with that, thank you, everyone, for

8 coming, and we are adjourned.

9 (Whereupon, the Public Hearing

10 adjourned at 4:29 o'clock p.m.)

16:27:00

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