

Public Meeting Transcripts

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

Held on Thursday, April 15, 2004, at the Federal Reserve Bank of New York

Unedited Transcript

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PUBLIC MEETING

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on the

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Proposed Merger

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of

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JPMORGAN CHASE & CO.

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and

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BANK ONE CORPORATION

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PANELISTS:

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SANDRA BRAUNSTEIN

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JAMES HODGETTS

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WALTER McEWEN

15

EDWARD KRAMER

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April 15, 2004

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9:00 a.m.

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Federal Reserve Bank of New York

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33 Liberty Street

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New York, N.Y.

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MS. BRAUNSTEIN: Good morning. I am

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pleased to welcome you to this important

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public meeting on the application of

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JPMorgan Chase to acquire Bank One

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Corporation.

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Let me first introduce myself. I am

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Sandra Braunstein, and I am the Director of

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the Division of Consumer and Community

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Affairs for the Federal Reserve Board of

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Governors in Washington, D.C. I am going to

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serve as the presiding officer for this

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meeting.

14 The other panelists sitting beside me
15 are James Hodgetts, who is the Senior Vice
16 President, Legal and Compliance Risk, for
17 the Federal Reserve Bank of New York; Walter
18 McEwen, Senior Counsel, from the Legal
19 Division of the Federal Reserve Board; and
20 Edward Kramer, the Deputy Superintendent of
21 Banks, from the State of New York Banking
22 Department. Those panelists are here, and
23 you will see their name tags.

24 We are here today because JPMorgan
25 Chase & Company from New York has applied

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2 for approval to acquire Bank One Corporation
3 in Chicago, Illinois.

4 When the Federal Reserve System
5 considers one of these applications, we look
6 at a number of factors under the Bank
7 Holding Company Act. These factors include
8 financial issues, managerial issues,

9 competitive issues, and the convenience and
10 needs of the communities affected.

11 In doing so, we particularly look at
12 the performance of the parties under the
13 Community Reinvestment Act, or the CRA. The
14 CRA requires the Board to take into account
15 an institution's record of meeting the needs
16 of its entire community.

17 The purpose of the public meeting today
18 is to receive information regarding these
19 factors. We will be seeking to elicit this
20 information and to clarify factual issues
21 related to the application, and from time to
22 time myself and the other panelists may ask
23 some of the people who are giving statements
24 additional questions.

25 We are very pleased that so many

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2 witnesses have been willing to come and
3 testify at this public meeting. We have
4 more than 70 groups and individuals

5 represented.

6 I would like to just make a few remarks
7 about the procedures before we get started.

8 This is what is call technically an informal
9 public meeting. Members of the panel, as I
10 said, may ask some questions of the
11 testifiers, but this is not a formal
12 administrative hearing, so we are not bound
13 by rules regarding evidence,
14 cross-examinations, and some of the other
15 formal trappings of that kind of procedure.

16 Because we have so many witnesses, we
17 are going to try as hard as possible to
18 stick to the schedule that we have put out
19 publicly, so that everyone who has offered
20 to give testimony has a chance to do so. So
21 we are going to ask all of the witnesses to
22 please be mindful of the needs of others who
23 have come here to testify today and to help
24 us stay on schedule. We are asking you to
25 keep to your allotted time. We have two

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2 timekeepers, and they are sitting, for the
3 panelists' information, right in the front
4 row over here. They have signs -- do you
5 want to show the signs? -- that will tell
6 you when you have two minutes to go and when
7 you need to wrap up.

8 There may have been individuals who did
9 not have an opportunity to sign up in
10 advance but would like to make a statement,
11 so to the extent possible we would like to
12 give them a chance to do so. At the end of
13 the day we have some open-mike time for
14 those that would like to make some
15 additional comments or those who would like
16 to make a presentation who did not
17 previously sign up.

18 A couple of other comments. You will
19 see that there are cameras here in this
20 room. I just wanted to note for everybody
21 that these are not live, these are not
22 recording, we are not making a video record.
23 Yesterday we had asked for them to be
24 removed, and we found out that they are

25 stationary in this room and they couldn't be

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2 taken out. But they are not recording.

3 However, there is an audio recording of this
4 hearing.

5 A couple of more comments about
6 testimony. Witnesses may submit a written
7 supplement to their oral testimony but must
8 do so by next Thursday, April 22, and then
9 the record will be closed. Any written
10 supplements should be directed to Jennifer
11 Johnson, secretary of the Board of Governors
12 of the Federal Reserve in Washington, D.C.,
13 20551, and they must be received by 5 p.m.
14 Eastern Time on April 22. You may also fax
15 additional information to 202 452 3462. The
16 deadline applies to faxes also.

17 If you haven't turned in copies of your
18 written testimony or you have any other
19 written statements to put into the record,

20 and you have those with you, please leave
21 them with the Federal Reserve staff at the
22 registration table where you came in. It's
23 important that we get this material for the
24 record.

25 As I mentioned, this proceeding is

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2 being audiotaped, and a transcript of these
3 proceedings will be available both in hard
4 copy and on the Federal Reserve website.

5 Those transcripts will be available on April
6 21, by the end of the day on April 21, at
7 the latest.

8 With that, I think we are going to
9 begin the proceedings. I will ask this
10 panel, as well as all the other panels,
11 before you start your statement could you
12 please state your name for the record.

13 Thank you.

14 MR. HARRISON: Thank you, Sandra.

15 MS. BRAUNSTEIN: I am sorry. And

16 organization.

17 MS. HARRISON: Excuse me?

18 MS. BRAUNSTEIN: Name and organization.

19 MR. HARRISON: I'm Bill Harrison,
20 Chairman and CEO of JPMorgan Chase. I would
21 like to introduce Heidi Miller, who is the
22 Executive Vice President and Chief Financial
23 Officer of Bank One Corporation; Mark
24 Willis, who is Executive Vice President and
25 head of JPMorgan Chase's Community

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2 Development Group; and Byron Reed, who runs
3 Bank One's Community Development Group.

4 And, of course, you will be hearing from all
5 of us.

6 It is my pleasure to address you, the
7 distinguished members of today's panel, and
8 all of our distinguished people in the
9 audience.

10 First, I want to thank the Federal

11 Reserve Board for convening this public
12 meeting, giving us the opportunity to
13 discuss the proposed merger of JPMorgan
14 Chase and Bank One. I'd like to explain why
15 we believe our merger will benefit our
16 customers, our employees, our shareholders,
17 and the important communities in which we do
18 business.

19 In January, JPMorgan Chase and Bank One
20 announced our agreement to merge in a
21 strategic business combination, which, based
22 on total assets, will establish the second
23 largest banking franchise in the United
24 States. We will have assets of
25 approximately \$1.1 trillion, a strong

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2 capital base, and over 2,300 branches in
3 seventeen states.

4 We will have top-tier positions in
5 retail banking and lending, which includes
6 small business and home finance, as well as

7 top-tier positions in credit cards,
8 investment banking, asset management,
9 private banking, treasury and securities
10 services, middle-market banking, and private
11 equity. With balanced earnings
12 contributions from retail and wholesale
13 banking, we believe we will be well
14 positioned to achieve strong and stable
15 financial performance and to increase
16 shareholder value over time. We will have a
17 more diverse business mix, greater scale,
18 and enhanced efficiencies and
19 competitiveness.

20 I will be Chairman and CEO. Jamie
21 Dimon, Bank One's current Chairman and CEO,
22 will be President and Chief Operating
23 Officer. Jamie will succeed me as CEO in
24 2006 and I will continue to serve as
25 Chairman.

2 Our corporate headquarters will be in
3 New York. And both our middle market and
4 retail banking businesses will be
5 headquartered in Chicago.

6 We believe this merger will be a great
7 benefit to our communities. Making banking
8 services widely available and continuing to
9 help develop affordable housing and
10 revitalizing the neighborhoods are integral
11 to our business goals and corporate
12 values -- they always have been.

13 JPMorgan Chase has always been both a
14 major home lender nationwide and major
15 small-business lender throughout our local
16 communities, providing innovative products
17 to meet the credit needs of first-time
18 homeowners and small businesses.

19 We have also distinguished ourselves in
20 the community development field as a lead
21 lender for large, complex transactions
22 resulting in affordable housing for low- and
23 moderate-income households, and for economic
24 development transactions, that create new
25 jobs and help revitalize communities. In

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2 fact, I am very proud to note that JPMorgan
3 Chase Bank again earned the highest rating
4 of "Outstanding" on its most recent CRA
5 performance examination from the Federal
6 Reserve Bank of New York. This is the
7 seventh consecutive time, spanning fourteen
8 years, that our lead bank has earned this
9 highest rating of "Outstanding." All three
10 of our subsidiary banks currently have
11 "Outstanding" CRA ratings. We are
12 determined that our new firm will maintain
13 the highest possible CRA ratings.

14 Since the merger was announced,
15 community investment officers of both firms
16 have already reached out to more than 700 of
17 our existing community partners across the
18 country, seeking innovative ways for banks
19 to work with strategic local and national
20 partners. Based on responses from the
21 community groups, we are creating new

22 initiatives and redoubling our efforts on
23 existing ones.

24 On that note, I am proud to announce,
25 on behalf of JPMorgan Chase and Bank One, an

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2 unprecedented nationwide \$800 billion
3 community investment commitment during the
4 next decade. I am especially proud because
5 this is the biggest such commitment ever
6 made by any financial services company.

7 This pledge, which includes mortgages,
8 small-business lending and community
9 development lending, reaffirms our national
10 leadership position in community and
11 economic development. It also underscores
12 our efforts to support the credit and
13 capital needs of underserved markets,
14 efforts that will involve much of our new
15 firm, ranging from our market-leading home
16 finance business to our municipal finance
17 team.

18 Our commitment includes \$675 billion in
19 mortgages nationwide for both minority and
20 lower-income communities and borrowers, and
21 an expansion of credit and mortgage
22 counseling programs, \$90 billion in loans
23 and investments to assist small businesses
24 and community-based nonprofit organizations;
25 \$35 billion in loans and investments for

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2 affordable housing and commercial and
3 economic development in low- and moderate
4 income communities; and a new financial
5 education partnership office that many
6 sponsor financial education and social
7 entrepreneurship programs; work with
8 mortgage counseling groups; develop
9 anti-predatory lending programs; work with
10 our branches to develop bank programs that
11 are designed to serve recent immigrants; and
12 teach credit fundamentals to not-for-profit

13 personnel. This \$800 billion pledge
14 reaffirms our commitment to "Outstanding"
15 CRA ratings and strong fair lending
16 programs.

17 But we can't do this alone. We are
18 relying on many of the groups who are in
19 this room today -- our partners who are here
20 in support of us, and those who have come to
21 raise reasonable concerns.

22 Our new firm will strive to reach all
23 segments in our markets. We value the
24 leadership and innovation of our community
25 development group, confident that they, with

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2 the help of our community partners, will
3 continue to deliver outstanding results.

4 Before I hand the microphone over to my
5 future colleague, Heidi Miller, I want to
6 thank you again for this opportunity to
7 speak at today's meeting. And though Heidi
8 and I will only be able to stay for the

9 first panel's presentations, Mark Willis,
10 who will head the combined firm's Community
11 Development Group, will be here for the
12 entire session and address any follow-up
13 questions you may have regarding CRA.
14 Heidi.

15 MS. MILLER: Thank you, Bill. Good
16 morning. I am Heidi Miller, Executive Vice
17 President and Chief Financial Officer of
18 Bank One. I am appearing here today on
19 behalf of Jamie Dimon, Bank One's Chairman
20 and CEO, who is traveling out of the country
21 and therefore is unable to attend today. I
22 too would like to talk about the benefits of
23 our proposed merger.

24 By way of background, I spent the first
25 thirteen years of my banking career at

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Chemical Bank, a predecessor firm of

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JPMorgan Chase, and then eight years with

4 Citigroup and its predecessor firms. In
5 October 2000, I joined Bank One's board of
6 directors and seventeen months later, in
7 March of 2002, I became a Bank One executive
8 officer, stepping down from the board at
9 that point. Now that we are putting
10 together Bank One and JPMorgan Chase, I am
11 seeing many friends and familiar faces,
12 including Bill. So I know both companies
13 from different and important perspectives.

14 I also understand the important role
15 that Bank One and its predecessors have
16 played in their communities across the
17 country for well over 100 years, and in fact
18 more than 150 years in a few cities. Like
19 all major banks in the country today, Bank
20 One has grown through acquisitions and
21 mergers, gaining scale, strength and breadth
22 to serve our customers, our employees, our
23 shareholders and our communities in even
24 better ways.

25 Over the last four years, Bank One has

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2 faced some very tough challenges. Through
3 diligence, discipline and hard work, we have
4 created a strong, healthy company that has
5 begun to expand again. In 2003, we opened
6 58 new branches, for a total of 1,841
7 branches in 14 states, and we've already
8 added more branches this year as we continue
9 to expand. We are in the process of
10 replacing every one of our 4,300 ATMs in our
11 network and we are investing millions more
12 in refurbishing our branches. In 2003, we
13 added more than 1,000 additional salespeople
14 to help customers with everything from
15 checking accounts and mortgages to
16 investments and college saving plans. As we
17 open additional branches in 2004, we will
18 continue to add salespeople to help our
19 customers.

20 The proposed merger with JPMorgan Chase
21 & Co. Will begin another exciting chapter in
22 our company's history. We know that
23 consolidation will continue in the banking

24 industry, and we believe that our combined,
25 stronger company will have more control over

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2 our future than we would have had
3 separately. We now have the unique
4 opportunity to create one of the truly great
5 global financial institutions.

6 We believe that each major business in
7 the combined enterprise will be strengthened
8 by the efficiencies that come with scale and
9 that the businesses will complement each
10 other, providing substantial competitive
11 advantage.

12 For current and prospective customers,
13 the combined company will provide access to
14 a broader offering of products and services
15 more competitively priced. For employees, a
16 stronger company ultimately results in
17 expanded opportunities for career growth and
18 development, even though, unfortunately, in
19 the beginning there will be some painful

20 staff reductions. For each of our
21 communities, a vibrant, healthy company is
22 the prerequisite for responsible corporate
23 citizenship. That is a value deeply held by
24 both our companies.

25 This merger also will afford the

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2 combined company a more diversified earnings
3 stream, a larger capital base, stronger
4 capital generation capabilities, and
5 increased capacity to invest in our
6 businesses. All of these we believe should
7 ultimately lead to a lower cost of capital
8 and the ability to better withstand
9 difficult times in the economic cycle.

10 The combined strength of our retail
11 businesses will be crucial in serving our
12 communities because it includes not only the
13 branch and ATM network, but also the
14 mortgage lending and small business lending.

15 The company will have their 2,300 branches
16 in 17 states, and we plan to add more than
17 100 branches annually for at least the next
18 three years. We will open them in low- and
19 moderate-income neighborhoods as well as
20 fast-growing suburban areas. In fact, in
21 Chicago alone, we will open twelve branches
22 in LMI areas by the end of next year.

23 Equally important, JPMorgan Chase's
24 large mortgage business will be good news
25 for consumers across Bank One's fourteen

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2 footprint states. While Bank One has
3 provided excellent banking services, the
4 merger will provide our customers with a
5 wider range of mortgage products, helping
6 them achieve the American dream of home
7 ownership.

8 Small business owners too will benefit
9 from this merger. Small businesses need
10 banking services -- especially credit -- to

11 grow, and we will offer the best products
12 and services of both companies to help our
13 small business customers do just that.

14 Mortgage lending and small business
15 lending are two of the most important
16 factors in evaluating a bank's Community
17 Reinvestment Act performance. Bank One's
18 lending has helped it earn "Outstanding" and
19 "Satisfactory" ratings in its markets across
20 the country.

21 We are proud that our merger partner's
22 lead bank, headquartered in New York, has
23 earned an "Outstanding" CRA rating -- the
24 highest possible -- for its mortgage, small
25 business and community development lending

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2 and community development investments and
3 services. In fact, as Bill pointed out, it
4 has received "Outstanding" CRA ratings for
5 the last seven consecutive periods covering

6 more than fourteen years. It's even more
7 important to know that the combined company
8 will strive to maintain that "Outstanding"
9 record.

10 Bank One has been a terrific civic
11 leader and major contributor in our markets
12 across the country, contributing more than
13 \$40 million annually to economic
14 empowerment, youth education, and arts and
15 culture. Our senior executive officers and
16 other employees serve on the boards of
17 civic, community, development, educational
18 and cultural institutions across all our
19 markets. And our employees volunteer in
20 their neighborhoods, in religious
21 organizations and in communitywide efforts
22 throughout the country.

23 That kind of support will continue
24 after the companies merge. Our CEO, Jamie
25 Dimon, reaffirmed our commitment to

2 Chicago's community leaders the night the
3 merger was announced. Bill Harrison just
4 went even further in announcing our \$800
5 billion pledge for mortgages, small business
6 loans, and community investments and loans
7 over the next ten years. That unprecedented
8 commitment will be delivered one family, one
9 small business and one apartment building at
10 a time across America.

11 There is no doubt that the combined
12 JPMorgan Chase will be a national and
13 international leader in banking. And there
14 should be no doubt that the combined
15 JPMorgan Chase will also be a civic leader
16 in every market it serves.

17 Now let me turn the podium over to my
18 colleague, Byron Reed, who, as Bill said, is
19 the Director of Bank One's Community
20 Investment Management Group. Byron will
21 provide more detailed assessment of how Bank
22 One has been a leader in our communities
23 across the country.

24 MR. REED: Good morning. I'm Byron
25 Reed, the Managing Director of Bank One's

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Community Investment Management Group. I

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appreciate the chance to talk about Bank

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One's proud tradition of serving our

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communities and about how this merger can

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help us even more.

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Bigger, Better, Stronger -- you have

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heard it from Bill Harrison and from Heidi

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Miller. Certainly, it is exciting for our

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customers, employees and shareholders. But

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for me, the most exciting aspect of the

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merger is what a bigger, stronger bank can

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do with our current and future partners for

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our communities.

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Sometimes community development is

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headline news, attracting local dignitaries

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and the media. For example:

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* In Chicago, Bank One's construction

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loan helped replace high-rise tenement

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buildings with mixed income townhomes at

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North Town Village, the largest

22 reconstruction of public housing in the
23 United States.

24 * In West Dallas, Bank One helped
25 welcome the first family to Casa Rio, the

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2 first affordable single-family housing
3 development in that part of town.

4 * In Denver, Bank One helped create a
5 170-acre master planned community, Belle
6 Creek, with over 900 units of affordable and
7 market rate housing, a charter school, a
8 community center, and retail and commercial
9 space.

10 * In Tulsa, Bank One's investment in
11 historical bank credits and our construction
12 funding helped reincarnate the Tulsa Tribune
13 Building as housing as the city of Tulsa
14 worked to redevelop and revitalize the Brady
15 Arts District.

16 Most often, however, community

17 development takes place quietly, with the
18 biggest impact coming in small and steady
19 increments:

20 * Knowing that small businesses are a
21 mainstay of the U.S. economy, Bank One has
22 made the SBA Community Express program a
23 core component of its outreach to small
24 businesses. In 2003 alone, Bank One closed
25 nearly 2000 Community express loans totaling

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2 just under \$22 million. Earlier this year,
3 Bank One's manager of national SBA, Brian
4 Burke, was awarded the inaugural SBA of the
5 Year award from the Colorado Lending Source,
6 the nation's largest and most well regarded
7 CDC.

8 While a relatively small player in
9 overall mortgage origination, Bank One has
10 focused on some areas of greatest need
11 because it recognizes the vital role
12 homeownership plays for low- and

13 moderate-income families and their
14 neighborhoods. Let me share with you just a
15 few examples:

16 0 Bank One was the first large
17 national bank to offer a Section 8 mortgage
18 product for very low income families moving
19 from welfare and public assistance to
20 self-sufficiency and homeownership.

21 0 Bank One's HUD 184 financing,
22 including the Apache Dawn project in
23 Arizona, has provided over 300 families
24 safe, decent and affordable housing on
25 Native American tribal lands.

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2 Bank One was the first national bank to
3 participate in the HUD Title VI program
4 which helps development on Native American
5 tribal lands. This project remains the
6 country's largest.

7 0 Bank One was the first bank to offer

8 the Fannie Mae HomeChoice and Group Home
9 products for people with disabilities,
10 providing loans and loans for markets.

11 0 Bank One was the first bank to
12 provide down payment and closing cost
13 assistance as part of Fannie Mae's Employer
14 Assisted Housing Program for eligible
15 employees.

16 0 Bank One has already lent nearly \$5
17 billion of a five-year \$12.5 billion
18 commitment with Fannie Mae for both single-
19 and multi-family homes across Bank One
20 footprint states.

21 As Heidi noted, we can do much more
22 when we pair JPMorgan Chase's extensive
23 mortgage origination business and Bank One's
24 1,800-plus branch network. And we plan to
25 add at least 100 branches a year for each of

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2 the next three years in all communities,
3 including low- and moderate-income

4 communities.

5 Bank One has established itself as a
6 leader in financial education and in helping
7 families take advantage of financial
8 opportunities. The many examples include:

9 * Bank One has underwritten The Money
10 Farm, a public television program in which
11 children teach children about money, savings
12 and other aspects of banking. It airs in
13 multiple communities across the country.

14 * In Illinois, Indiana, Texas,
15 Wisconsin and Arizona, Bank One has
16 sponsored financial literacy "train the
17 trainer" programs for the directors and
18 employees of multiple nonprofits, increasing
19 the capacities of nonprofits across the
20 states.

21 * In Arizona, a Bank One grant helped
22 launch Arizona Saves, a savings and
23 wealth-building program focused on
24 low-income families.

25 * In Chicago, Bank One contributed

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2 \$100,000 each year from 1999 through 2003 to
3 support National Housing Service's
4 education, community building and
5 neighborhood leading and real estate
6 development efforts.

7 * Bank One employees volunteer as
8 board members, project coordinators and
9 fund-raisers for a broad variety of
10 community-based organizations.

11 * Bank One employees, as well as Bank
12 One grants, help working families take
13 advantage of the complicated Earned Income
14 Tax Credit, putting real dollars in their
15 pockets.

16 * Bank One this year introduced a Visa
17 debit card so that income-tax filers without
18 bank accounts can quickly receive an
19 electronic refund, which can be withdrawn
20 all at once or over time.

21 * Bank One provides millions of
22 dollars in tax credit equity each year,
23 fueling thousands of affordable multifamily

24 units for low-income families in communities
25 across the nation. Since 2000, Bank One

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2 invested over \$1.9 billion in low-income tax
3 credit projects either directly or through
4 funds.

5 The mid-1900s, in partnership with the
6 Greater Dallas Community Churches and
7 Congregations, bank employees have
8 contributed thousands of hours to low-income
9 families in Dallas, San Antonio, Phoenix and
10 Fort Worth. Bank One also makes a
11 contribution to computer supplies, which
12 reaches a broad range of individuals,
13 including Hispanic and recent immigrants in
14 the areas here.

15 Bank One this year introduced the Visa
16 Demo card to pay income tax without bank
17 accounts. It follows terms quickly and It
18 receives refunds, which one may withdraw all

19 at once or over time. Bank One provides
20 millions of dollars in tax credit equity
21 each year, helping thousands of multi-family
22 units for long-term loans in communities
23 across the nation. Since 2000, Bank One has
24 \$1.9 billion into loans with respect to
25 income tax products, either directly or in

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2 funds.

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At Bank One, we are very proud of what

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we have done with our partners to serve our

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communities. And we are very excited about

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the opportunities that this merger brings to

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our communities. I know my future

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colleague, Mark Willis, head of JPMorgan

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Chase's Community Development, shares this

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excitement. Thank you for the opportunity

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to present my testimony.

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MR. WILLIS: Thank you, Byron, for

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sharing some examples of the responsive and

14 meaningful work Bank One is doing throughout
15 its footprint.

16 Good morning. My name is Mark Willis.
17 I manage JPMorgan Chase & Co.'s Community
18 Development Group and I have been asked to
19 head it after the merger. Thank you for
20 giving us the opportunity to:

- 21 - discuss JPMorgan Chase's unique and
22 innovative community development program.
- 23 - outline our \$800 billion public
24 commitment, and
- 25 - talk a little bit about the creation

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2 of a compact with our communities, an
3 initiative that is being driven by the
4 JPMorgan Chase Community Advisory Board.

5 We are proud that our Community
6 Development Group is a leader in creating
7 new approaches to financing community
8 development projects. As JPMorgan Chase has
9 grown, our Community Development Group has

10 designed new capabilities to deliver a far
11 more sophisticated array of products and
12 services.

13 We have also helped incubate the
14 affordable mortgage business by providing
15 mortgages with flexible underwriting
16 criteria and we have seen this business grow
17 and mature. In the early 1990s, we held
18 tens of millions of dollars in such
19 mortgages in our portfolio because they did
20 not conform to the existing secondary market
21 criteria. All of these mortgages developed
22 into a well-seasoned portfolio. The
23 secondary market learned from our experience
24 and created some new affordable products
25 that all lenders could provide. It's a

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2 great success when we can mainstream a
3 product because it has become both
4 ubiquitous and profitable.

5 Our Community Development Group's
6 entrepreneurial spirit and willingness to
7 focus on our customers' unique banking needs
8 has distinguished JPMorgan Chase as the
9 cutting edge leader for innovation. While
10 we are announcing a ten-year \$800 billion
11 program today, we will continue to celebrate
12 those small, tangible, day-to-day successes
13 which make such a difference for our
14 customers and our community partners.

15 Let me now lay out in a little more
16 detail our ten-year plan. The components of
17 the plan are a set of key performance
18 measurements against which the public can
19 assess our annual results. Bill has talked
20 about the top-line numbers that comprise the
21 plan, and I would like to touch on the major
22 components again and then discuss some new
23 initiatives. The vast majority of this
24 ten-year \$675 billion is comprised of
25 mortgages, which are so vitally important to

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2 cities and neighborhoods in every market
3 across the country. These loans will be
4 made to households with annual incomes at or
5 below the median household income and on
6 properties located in predominantly minority
7 communities.

8 Second, we will make more than \$90
9 billion in loans to small businesses and
10 not-for-profit organizations in the 17
11 states served by the combined company's
12 branch system. Finally, we anticipate \$35
13 billion in community development loans and
14 investments.

15 Let me now talk about the initiatives
16 that grew from our discussions with
17 literally hundreds of community leaders and
18 advocates, including some who oppose this
19 merger.

20 1. We are creating a new Home
21 Ownership Preservation Office in Chase Home
22 Finance mortgage business that will:

23 - work with community groups that help
24 victims of fraud or other abusive mortgage

25 practices and

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- restructure, when possible, their

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mortgages to help them keep their homes.

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- work with the mortgage industry and

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HUD on FHA foreclosure policy; and

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- work with community groups to sell

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or donate certain REO property to help

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minimize any negative impact on their

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neighborhoods.

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2. We are creating a national

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community mortgage-lending unit to serve the

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home-buying needs of low- and moderate

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income consumers looking to buy their first

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homes in inner cities and other historically

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underserved communities. In large markets,

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we will use salaried loan officers who will

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have both lending goals and outreach goals.

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In other markets, we will have incentives

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for commissioned loan officers to serve the

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needs of mortgage counseling agencies and

21 their clients.

22 3. We will also provide \$1 billion in
23 loans and investments to CDFIs, community
24 investment institutions, across our markets
25 as part of our \$800 billion plan.

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2 4. We will create a new Financial
3 Education Partnership Office to focus on the
4 basic financial education needs of consumers
5 so that they can make more informed choices
6 about borrowing, investing, saving and
7 selecting the right banking account for
8 their needs. We launched a basic bank
9 curriculum over a year ago.

10 5. We will open new Business Resource
11 Centers and expand the SBA Community Express
12 program across our retail banking franchise.

13 We are also retaining the JPMorgan
14 Chase Community Development Group model that
15 allows us to bring together, in a single

16 organization, community development experts
17 from across both banks.

18 Let's turn now to our Community
19 Advisory Board, which is comprised of 46
20 community leaders. At our last two meetings
21 of this group, we spent a great deal of time
22 discussing whether to announce a 10-year
23 plan. The board voiced its confidence in
24 our commitment to community development and
25 to outstanding CRA performance. They did

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2 not feel that a large dollar amount would
3 add incremental value. However, they wanted
4 to expand the debate beyond dollars to
5 values and impact. Their idea was to create
6 a kind of "compact with our
7 communities."

8 A Board subcommittee has started to
9 outline principles to guide the compact,
10 including the following:

11 * Partner with the community

- 12 * Listen to all perspectives
- 13 * Execute locally
- 14 * Strive for economic sustainability
- 15 * Share knowledge
- 16 * Invest in innovation
- 17 * Go beyond regulatory requirements
- 18 * Lead with best practices in fair and
- 19 responsible lending
- 20 * Deliver the full resources of the
- 21 firm.

22 We value our Community Advisory Board
23 because the members keep us focused on the
24 really important issues. We also learn from
25 the perspectives and experiences of members

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2 from around the country as they too learn
3 from one another. We look forward to
4 expanding the board to include community
5 leaders from the Bank One footprint.
6 The merger will have great benefits for

7 the communities we serve. We are very
8 excited about the challenges, the
9 opportunities, and the responsibility.

10 Thank you very much.

11 MS. BRAUNSTEIN: Thank you very much.

12 I have a question for the panel. One of the
13 things that we often hear from consumer
14 community groups about large organizations,
15 especially organizations that have grown in
16 size through mergers and acquisitions, is
17 that there is some loss of local control and
18 local responsiveness, and that oftentimes,
19 because of the time of the organizations,
20 there are a range of cookie-cutter products
21 that are put out which sometimes don't meet
22 the needs of specific local communities.

23 My question for you is: As JPMorgan
24 Chase continues to grow in size and become
25 truly a nationwide bank, how do you plan to

3 do you plan to meet local communities?

4 MR. HARRISON: Sandra, that's a great
5 question, and it's the question I get a lot,
6 because it relates to all of our activities,
7 whether it is our community activities that
8 we are talking about this morning or whether
9 it relates to how we serve our middle market
10 or corporate clients across our respective
11 markets.

12 The answer is: We are a very big
13 company today, and big by itself is not
14 necessarily a good thing. You need to make
15 big good, and you make big good by doing a
16 lot of things. One is making it more local.
17 Mark talked a little bit about that, but we
18 want the people who represent this firm in
19 our local communities to be very active, to
20 have enough authority to get the job done in
21 all the activities. That sounds like the
22 obvious thing to say, but we do work hard at
23 that, and the firms that can execute that
24 better than the others will have a huge
25 advantage, because the fact of the matter

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2 is, you can combine good local presence with
3 the global capabilities of a very large firm
4 if we have integrated properly, and that is
5 what we work very hard at. And I think we
6 do a pretty good job at it, and we will
7 continue to do a better job at it because it
8 is a great opportunity for us.

9 MS. BRAUNSTEIN: Thank you.

10 MR. HODGETTS: I have a question, if I
11 may, about predatory lending. Generally,
12 there is a concern that large banks are
13 engaged in the purchase and securitization
14 of mortgage loans and, indirectly through
15 that practice, encourage predatory lending
16 practices. Could you comment on the steps
17 you have taken to mitigate that risk?

18 MR. WILLIS: First of all, we share
19 everybody's concern about predatory lending
20 and abusive lending practices, and we are as
21 diligent as we can possibly be in trying to
22 make sure that we do not in any way make

23 those kinds of loans. I think we all want
24 to know -- I won't take the time here -- the
25 best practices in subprime lending. One of

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2 the ideas that we have here with this
3 group -- I created the Home Ownership
4 Preservation Office -- is to work with
5 groups out there that may have better ways
6 than we have found to make sure that we are
7 not doing business with companies that do
8 not live up to standards that we think they
9 should.

10 So we have, again, outlined in our
11 letters here a lot of internal controls to
12 try and ensure that we are not dealing with
13 predatory lenders, and we are constantly
14 trying to learn from our experiences and
15 learn from others if there are ways that we
16 can do that better. We have had some very
17 good conversations with community groups on

18 this issue. We see this office as being
19 very critical in helping us in that area.

20 MR. McEWEN: A follow-up question on
21 that. Our main concern as expressed by
22 community groups actually relates to abusive
23 practices by home builders. What are you
24 doing to control the risk of abusive
25 practices by those groups?

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2 MR. WILLIS: As part of our best
3 practice here, we do screen the companies
4 that we do business with. We look to make
5 sure -- we don't take, for example, HOEPA
6 loans, as people understand, and we don't
7 securitize HOEPA loans. We do a full due
8 diligence of people that we are doing
9 business with, and we are eager to have an
10 initial input from the community groups in
11 terms of their own due diligence of these
12 groups. We have systems that get involved
13 in properties that are flipping. There are

14 a whole bunch of abusive practices that we
15 look to here to make sure that, as best as
16 we can, we are doing business with people
17 that meet the law, meet the regulatory
18 requirements.

19 MS. BRAUNSTEIN: Thank you very much.
20 Any other questions? OK, thank you very
21 much.

22 MR. HARRISON: Thank you for giving us
23 the opportunity to be with you.

24 MS. BRAUNSTEIN: The next panel can
25 come forward, please.

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2 As with the last panel, I would ask
3 that everyone please state your name and
4 organization for the record.

5 Reverend Jackson, would you like to
6 lead us off?

7 REV. JACKSON: Good morning. My name
8 is Jesse L. Jackson Sr. I am the President

9 and Founder of the Rainbow/PUSH Coalition,
10 citizenship Education Fund and its
11 initiative, the Wall Street Project. I
12 begin my comments by stating that presently
13 we are neither opposed to nor in favor of
14 JPMorgan Chase's application for merger with
15 Bank One. Our role at this time is to
16 provide research and counsel as to the
17 importance of inclusion and access as you
18 consider this merger.

19 We feel that safeguards are essential,
20 flowing from the upper levels of planning
21 and execution. You often see the Mt.
22 Everest effect of large and tall mountains
23 snow-capped at the top but with a lack of
24 ground bases.

25 Secondly, given the amount of

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2 investment banker fees in this present deal,
3 a history of slavery and race-based legacy
4 with these companies to be cleared up, it is

5 a matter of real concern. The plan to
6 greenline historically redlined zones, the
7 matter of CRA and lending predators, people
8 who prey on the poor -- we work harder for
9 less, we pay more for less -- demonstrates
10 something, and the impact of this merger
11 could have an impact on this, positively or
12 negatively.

13 Given the massive corporate malfeasance
14 that is leading the world's headlines, we
15 are currently appealing to the New York
16 Attorney General's Office, the Senate
17 Banking Committee and corporate America to
18 take an active role in opening doors of
19 opportunity and inclusion for diverse
20 financial services entities.

21 The Community Reinvestment Act, passed
22 by Congress in 1977, encourages financial
23 institutions to help meet their communities'
24 needs -- through safe and sound lending
25 practices and by providing retail banking

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2 and community development services. This
3 law must be enforced. So I have desire to
4 work with you in this process.

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6 This nearly \$60 billion merger will
7 create the second largest financial services
8 entity in the world; yet, discussion
9 concerning diversity has been, I feel,
10 essentially marginalized. Thus, we have
11 several basic questions as we seek to
12 establish a 5 percent outsourcing goal for
13 diverse financial firms that is measurable.
14 It is important to note that these two
15 entities, combined, may control and manage
16 nearly \$600 billion, and thus we cannot
17 dispute those who want to see measurable
18 goals and timetables.

18

19 Will we see any usage of women,
20 African-American, Hispanic or other
21 ethnically diverse persons in legal,
22 transition management and auditing firms
23 participate in this merger?

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24 If so, what percentage will be
allocated? If not, why are we excluded from

25 the table?

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The fees that will be generated alone

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by this merger may total nearly \$100

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million. Just as minorities exist as

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contributors of capital to our financial

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markets, there must be a representative

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distribution of the management of that

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capital. Again, our organization recommends

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5 percent.

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Will we see an overall increase in the

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outsourcing of opportunities for diverse

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asset management firms, brokerage firms, as

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well as investment in community-based banks

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and minority venture capital funds?

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As stated earlier, the combined assets

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under management will total in the hundreds

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of billions of dollars. Imagine how

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equitable the playing field would be if

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JPMorgan Chase and Bank One would assign

20 just 5 percent of that endeavor.

21 How will the supplier diversity offices
22 and/or initiatives of both of these
23 organizations be combined after the merger?
24 Has there been any sort of analysis done to
25 determine, out of Bank One and JPMorgan

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2 Chase, which entity has the better diversity
3 programs?

4 What will be the combined procurement
5 budget for these two entities? What is the
6 current spend allocation for each concerning
7 African American vendors, Hispanic vendors,
8 native American vendors, and Asian vendors?
9 How will current relationships be maintained
10 and enhanced?

11 African Americans and Hispanics,
12 concerned about the impact of the loss of
13 jobs at Bank America, are shedding 12,500
14 jobs worldwide as part of a move to justify
15 the \$48 billion it spent buying Fleet Boston

16 Financial Corporation, and yet there has
17 been silence concerning the effect that
18 these layoffs have had on the job markets to
19 those who came in last.

20 What are the current retention rates of
21 people of color?

22 How will the workforce diversity
23 offices or positions be merged?

24 Do the selected executive leadership
25 teams and new board members reflect the.

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2 Increased diversity of the combined entity's
3 climate base? Our Initial research
4 indicates zero percent diversity within Bank
5 One's executive leadership or planning group
6 and a nominal percentage in diversity among
7 JPMorgan Chase at the top.

8 Subsequent to the merger, what will
9 happen to females and diverse executives who
10 were on leadership tracks within each of

11 these banks?

12 Will we see an increase in investments
13 and venture capital funds that help to grow
14 women and minority owned businesses?

15 Lastly, today you will hear from a host
16 of esteemed organizations concerning CRA,
17 predatory lending, subprime lending, so I
18 will limit my remaining remarks to just two
19 primary areas: The importance of financial
20 literacy in faith-based communities, and the
21 historical context that will provide
22 justification for inclusion.

23 According to the SEC, churches,
24 especially African American churches, are
25 one of the largest victims of unscrupulous

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2 financial advisers and bank representatives.

3 Our churches are in need of more than just

4 free checking accounts, housing fairs, and

5 large unfulfilled public commitments to

6 provide mortgage lending. The Church is the

7 cornerstone for education and leadership in
8 our communities.

9 I close with a bit of historical
10 context. Blocks away from this building
11 lies an African Slave burial ground. We
12 must remember that Wall Street was started
13 on the commodities industry -- exporting
14 cotton and importing slaves. The cries and
15 pleas of our foreparents whose enslaved
16 labor helped to grow these banks must not be
17 ignored.

18 If we were to compare the Civil Rights
19 movement in our country to a Freedom
20 Symphony, it should be broken down in four
21 stages: End of slavery; securing the right
22 to vote; end of segregation; and fourth,
23 access to capital, industry and technology.
24 We must address these four stages and use
25 this magnificent moment to close the gap.

2 The last stage must be that of economic
3 empowerment through shared access to
4 capital. Regardless of your views on
5 reparation. African Americans, Hispanics,
6 women, and other underserved groups still
7 are not exposed to an open playing field
8 when it comes to wealth creation in this
9 country. I implore you to help assist in
10 filling that void.

11 Thank you very much.

12 MS. BRAUNSTEIN: Thank you.

13 MR. LEE: Ms. Braunstein, I wanted to
14 ask a question to start, which is on the
15 comment period. Is it the 23rd or the 22nd?
16 I thought it was the 23rd. I think when the
17 board put out their notice of meeting, not
18 that it is -- from what we have just heard,
19 I don't know.

20 MS. BRAUNSTEIN: It is the 23rd.

21 MR. LEE: All right.

22 Good morning. My name is Matthew Lee.
23 I am the Executive Director of the nonprofit
24 organizations Inner City Press and Fair
25 Finance Watch, which are based in the South

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2 Bronx here in New York City.

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I want to say one thing. As to

everything that I am going to say here, I am

not at all clear that this eleventh-hour,

\$800 billion pledge will address any of the

issues that I am about to discuss, and I

wish that that pledge had been made

available before the public meeting so that

the people could actually look at it and

comment on it. So I am going to stick to --

you know, it is what it is, but I think you

might even want to take an extended comment

period. To do it at the day of the hearing

is sort of a new technique, let's say.

In the South Bronx of New York City, we

have seen Chase close more than a dozen bank

branches. Now, we find that JPMorgan Chase

finances check cashiers in the same

neighborhoods where it closed its bank

branches. We have found, and demonstrated

22 in written submission to the Federal
23 Reserve, that Bank One supports and enables
24 payday lenders and even pawn and gun
25 shops -- a shadow world of fringe finance

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2 and predatory lending.

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We believe that there are a number of reasons that this merger should be denied. Based on Morgan Chase's conduct in the Enron stock research scandals, it would create another too-big-to-fail, scandal-plagued megabank, and would limit competition and raise prices. But in the five minutes allotted today, I'll focus on predatory lending from payday lenders to check cashiers, in The Bronx and elsewhere, and even pawn and gun shops nationwide.

Inner City Press is today submitting for the record a series of Uniform Commercial Code filings which show that Bank One finances payday lenders, both large and

18 small. Here are a few examples:

19 First Cash Financial Services, a
20 top-ten pawnshop chain with 130 storefronts
21 in 11 sites.

22 Illinois Payday Loans, Inc.

23 Discount Payday Loans of Colorado --

24 the use of the word "discount" is perhaps

25 unintentionally ironic, or Orwellian.

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2 Mister Payday of Kentucky.

3 These are all in exhibits that we

4 turned in.

5 First American Cash Advance, which is a

6 top-ten payday lender with 330 storefronts

7 in 11 states -- a company which has been

8 extensively criticized for its high-cost

9 lending, particularly to members of the

10 military. There is a Washington Post

11 article to that effect.

12 The two banks' responses today on these

13 issues have been evasive. In their April 7
14 response to the Delaware Banking Department,
15 to which ICP has also commented -- and
16 Rashmi Rangan you will hear from later --
17 the banks have claimed that "although Bank
18 One does not specifically target this
19 market, it has made credit facilities
20 available to a relatively small number of
21 small- and middle-market consumer finance
22 lenders whose predominant business is payday
23 lending" -- which is a long sentence that I
24 think flies in the face of the statement we
25 heard from the bank's panel as to an attempt

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2 to not do business with people who don't
3 live up to your standards. Because if these
4 lenders live up to the bank's standards,
5 then the bank has no standards.

6 The statement I just read was and is
7 misleading. Far from being limited to
8 "small" or "middle-market" payday lenders,

9 Bank One finances at least two top-ten
10 payday lenders: First Cash Financial and
11 First American Cash Advance. We have
12 recently gone back to the salt mines of
13 research, and now, as part of the exhibits
14 demonstrated, Bank One is financing the
15 following companies -- i have the list:

16 National Pawn Brokers Outlet of Flint,
17 Michigan;

18 Pyramid Pawn of Danville, Kentucky.

19 Moe's Pawn Shop and Gun Store of
20 Columbus, Ohio.

21 Instant Cash Advance, Inc., of Miami,
22 Florida.

23 Indiana's Casino Cash and Pawn, Inc.

24 Sunset Cash Advance, Corp. -- a payday
25 lender.

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2 Tomcats Pawn, Inc. Of Bloomington,

3 Indiana.

4 Cash Till Payday L.t.d.

5 Bronco Pawn & Gun, Hornet Pawn & Gun,
6 and Longhorn Pawn and Gun, Inc., all of
7 Austin, Texas.

8 There are many more; I'm stopping here
9 because JPMorgan Chase too is an enabler not
10 only of predatory mortgage lending but also
11 of fringe finance. In the South Bronx, we
12 have turned in exhibits showing there is
13 financing at Claremont Check Cashing Co., at
14 510 Claremont Parkway, The Bronx, which is
15 across from four housing projects where
16 25,000 people live and there is no bank
17 branch.

18 You know, there are a number of others:
19 All American Check Cashing Corp, Kimball
20 Check Cashing. All of these are in the
21 South Bronx.

22 They are also in Brooklyn, Jersey City
23 and Rochester. And you are going to hear
24 from Ruhi in a moment, you will hear from
25 others, that the JPMorgan Chase

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2 securitization of subprime lenders is done
3 without standards. Many of us have raised
4 the point that they should have the same
5 standards of securitization that they have
6 on their own loans. They said they might
7 but they currently don't. It is imperative
8 that we nail it down. \$800 billion doesn't
9 change that.

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11 The biggest problem in terms of this
12 process in front of the Fed is that once we
13 raised the issue of payday lending and
14 subprime lending by JPMorgan Chase, the Fed
15 asked the banks for a list of the lenders
16 that it does business for. The bank turned
17 it in, but asked for confidential treatment.
18 So it doesn't want to show the list to the
19 public. We are pursuing the list from the
20 Fed under the Freedom of Information Act.
21 They say that they only want to do
22 business with companies that live up to
23 their standards. It is imperative that, if
that be true, they release the list so

24 everyone can comment on it. To hide the
25 list I think flies in the face of being a

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2 responsible company.

3 The \$800 million or billion dollars, or
4 whichever it is, to do it on the day of the
5 hearing indicates that had there not been
6 this hearing they wouldn't have made the
7 pledge.

8 With the Community Advisory Board, many
9 of whose members I respect and we will hear
10 from later, I wonder whether JPMorgan Chase
11 has asked them about payday lending and
12 whether it is a good thing for our
13 communities.

14 Thank you very much.

15 We are opposed to the motion, by the
16 way.

17 MS. MAKER: Good morning. My name
18 is --

19 MS. BRAUNSTEIN: I am glad you

20 clarified that. (Laughter)

21 MR. LEE: I wanted to.

22 MS. MAKER: My name is Ruhi Maker, and
23 I too am here to oppose this motion, despite
24 the \$800 billion pledge. I co-convene the
25 Greater Rochester Community Reinvestment

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2 Coalition, and am also a senior attorney of
3 the Public Interest Law Office of Rochester.
4 GRCRC is a coalition of over 35
5 not-for-profits from the greater Rochester
6 area. PILOR has a foreclosure prevention
7 project in Rochester. This project of ours
8 is a foreclosure project which has been
9 around for a few years but it has really
10 taken off. We have got already hundreds of
11 clients, and it is very, very scary for me.
12 So I want to focus on due diligence.

13 Mark raised that, and I welcome the
14 fact that JPMorgan Chase seems to recognize

15 that due diligence is a problem. My opening
16 comments on the issue of due diligence are:
17 Is it just words or is there going to be
18 specific enforceability in the order that
19 the Fed issues as to what is done for due
20 diligence and how due diligence is improved?
21 Will it have teeth and will it be
22 monitorable and enforceable? And will there
23 be public information provided as to how
24 this due diligence is going to improve?
25 Let's talk about JPMorgan Chase's

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2 mortgage lending. You will hear from some
3 of my colleagues about specific examples of
4 clients. I will paint with a broad brush.
5 Chase, Chase's attorneys, in a March 23
6 letter, responded to the Fed and stated
7 there a 42,000 mortgage borrowers in 2003
8 alone in long-term default. If necessary, I
9 could quote the exact words. This resulted
10 in those 42,000 borrowers and homeowners

11 ending up in payoffs, in restitution and
12 foreclosure.

13 Now, what number of those are FHA
14 loans, I don't know. What number of those
15 are subprime loans, I don't know. What
16 number of those are abusive loans, I don't
17 know. We all know foreclosures occur
18 because of death, disease and divorce, but
19 without the real due diligence that should
20 exist we really don't have a true measure of
21 the problem. Does Chase know? Does the Fed
22 know? I don't know, and that really
23 disturbs me. So let's talk about real due
24 diligence.

25 We have clients, for example, who get a

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2 loan to securitize -- and these are not
3 Chase loans, by the way; I want to make that
4 clear -- where you have a teacher who is a
5 substitute teacher, she is a substitute

6 teacher, and months after she stops
7 teaching, her income is half of what she had
8 and her role becomes problematic. Does due
9 diligence capture that? Does it capture
10 benefits that a grandmother gets from her
11 17-year-old child which is going to age out
12 after the loan has been securitized,
13 whatever? There are lots and lots of
14 problems that we believe due diligence does
15 not capture as yet.

16 So is it really a question of the
17 bank's inability to figure this out and not
18 do real due diligence, or is it a convenient
19 way to look the other way while short-term
20 money is made with little thought for
21 long-term consequences?

22 I have been a poverty lawyer for 25
23 years. I lay awake thousands of nights to
24 make sure of what I am going to do to ensure
25 these kids are not the victims of predatory

2 lending. So I have passion in my voice; I
3 am told I am very passionate. And I want
4 all of you -- some of you live in gated
5 communities -- to think about the cost of
6 predatory lending and the cost of
7 homelessness and the damage to families,
8 because I see it every single day and it
9 breaks my heart.

10 What I would like to focus on is
11 whether the percentages are low of defaults,
12 whatever those percentages are. 45,000
13 people were in default in 2003 alone. These
14 are Chase loans. That troubles me and that
15 needs to stop. We need to find a way of
16 minimizing that number, short of death,
17 disease and divorce, but let's set what that
18 number is. Can a multibillion-dollar
19 corporation operate? You know what you are
20 doing. I know in this world they can and do
21 operate in a way that is damaging, and we
22 need to change that.

23 There is a concern about state laws
24 that result in assignee liability for
25 abusive loans. They claim it is impossible

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2 to price securitized pools to reflect the
3 potential cost of abusive loans which may
4 end up in these pools. Yet they claim to
5 practice thorough due diligence that ensures
6 that the loans in the pools are not abusive.
7 They can't have it both ways.

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Do we know how pervasive this problem
is? Or is it like the proverbial elephant?

The banks grab the tail and deem it
minuscule. The regulators grab the trunk
and hold hearings. The consumer advocates
repeatedly bump into the massive body and
talk of abandoned neighborhoods and
devastated communities. They look people in
the eye who are losing or have lost their
homes and say, "You were ripped off but I
can't help you."

So let's get some real due diligence.
I am glad Mark wants you to talk to the

21 advocates. There are lots of people who can
22 tell Chase and other lenders how to do this.
23 The question for the Fed is: Are you going
24 to put this in your order, or are we all
25 going to go away, have nice conversations

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2 for the next two years, and nothing is going
3 to change?

4 The way it changes is: You put it in
5 your order, you follow through. You know
6 you have done it before. We know what I am
7 talking about and I know what we are talking
8 about. Let's get it right this time. Thank
9 you.

10 MS. BRAUNSTEIN: Thank you.

11 MS. RANGAN: My name is Rashmi Rangan.
12 I am with the Delaware Community
13 Reinvestment Action Council, and I am here
14 opposing this merger.

15 Thank you for this opportunity today to
16 testify. My oral testimony supplements the

17 written comments that have been submitted
18 into the record to date. I have also
19 included communications with the Delaware
20 Banking Commissioner into the record.

21 One of the factors to consider, and we
22 mentioned, was the convenience and the needs
23 of the entire community that the bank serve.
24 We are going to talk about the needs that
25 the bank does not serve or, rather, hurts

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2 communities.

3 On that note, the applicants should
4 release the list of their subprime, payday,
5 Refund Anticipation lenders, and other
6 partners. The list that Mr. Lee has
7 mentioned you should make available to the
8 public should they not voluntarily do so.

9 As Mr. Lee has already mentioned, his
10 research has found a long list of
11 questionable lenders as both Bank One's and

12 Chase's partners -- a very short list. I
13 would mention, which had been entered into
14 your record, compliance compiled by ICP
15 shows Chase's support of and profit from All
16 American Check Cashing Corp. Of 412
17 Soundview Avenue, Kimball Check Cashing
18 Corp. Of 101 East Burnside Avenue, A & A
19 Check Cashing Corp. Of 1488 Williamsbridge
20 Road, Dyre Check Cashing Corp. Of 3813 Dyre
21 Avenue, etc., etc.

22 Because the record is already
23 supplemented with information that is
24 publicly available, there is absolutely no
25 need to ask for or get confidentiality for

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2 this list. If the applicants have nothing
3 to hide, what are they afraid of? If the
4 applicants are ashamed of their partners,
5 why enter into such partnerships? If the
6 applicants are to engage in such business,
7 there should be greater scrutiny and

8 openness. Who the applicants partner with
9 demonstrates the standard of due diligence
10 that they choose to apply.

11 Therefore, Exhibit 7, list of their
12 prime investors, Exhibit 9, list of their
13 asset-based relationships, Exhibit 10. List
14 of their RAL and payday lenders, and any
15 other similar lists concerning which they
16 frivolously asked for confidentiality must
17 be released. The public has a right to know
18 whom they do business with.

19 On page 46 of the March 23 letter to
20 you, the applicants acknowledge, and I quote
21 here: "Although there is no specific credit
22 policy requirement that enhanced due
23 diligence or fair lending compliance be done
24 with respect to companies engaged in payday
25 lending or tax anticipation refund lending,

3 with, as applicable, the customer's
4 reputation and other character-related
5 issues as well as issues peculiar to the
6 customer that may affect credit risk."
7 Given the absence of due diligence, DCRAC
8 asks that should you approve the merger, it
9 should be conditioned on the new entity
10 disengaging from this line of business. The
11 applicants have, in their response to such a
12 request by Metropolitan Milwaukee Fair
13 Housing Council, on March 30, 2004, at page
14 6, stated: "It would not be appropriate to
15 discuss exiting these businesses."

16 Mr. Harrison talked about
17 anti-predatory lending education, and this
18 is a predatory business that they have
19 refused to disengage themselves from.

20 Just two days ago, at a public hearing
21 in Delaware, the applicants, through
22 counsel, asked the Delaware Banking
23 Commissioner to ignore any testimony not
24 directly relevant to the two entities'
25 credit card operations. What the parent and

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2 its affiliates do outside Delaware is very
3 relevant to Delaware.

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5 Attached is a News Journal editorial
6 entitled "Payday loans sully the state's
7 reputation as a financial center." Even
8 from a bank-friendly state such as Delaware,
9 the media recognized that "payday loans are
10 a shameful exploitation of inner-city
11 residents and low-income workers living
12 day-to-day or in neighborhoods without
13 regular banks."

14

My time is up. I want to thank you.

15

MS. BRAUNSTEIN: You oppose this
16 merger. Thanks.

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MS. HOWARD: Good morning. My name is
23 Deb Howard. I am Executive Director of the
24 Pratt Area Community Council, a
25 community-based housing organization serving
26 central Brooklyn. We provide homebuyer and
27 homeowner services, tenant and community
28 organizing, affordable housing and economic

23 development and, through these activities,
24 we work to preserve the economic and social
25 diversity of our communities.

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2 I am appearing here today to express
3 some of the reservations we have for the
4 impact of the proposed merger of JPMorgan
5 Chase and Bank One on our communities. With
6 over 200 branches, JPMorgan Chase remains
7 the financial institution in New York City
8 with the strongest on-the-ground presence in
9 traditionally underserved neighborhoods. In
10 the Bedford-Stuyvesant community which we
11 serve, JPMorgan Chase is one of the very few
12 banks with a physical branch in the area.
13 In fact, its bank is right in the center of
14 Bed Stuy.

15 Given that the merging entities have no
16 redundancies in their branch locations
17 within the five boroughs, we would expect
18 that the new company's presence will remain

19 constant, if not increase, in these
20 communities. However, because the retail
21 banking operations are moving in Chicago, we
22 are gravely concerned that this will not be
23 the case. Though JPMorgan Chase has a
24 decent record in these communities, we urge
25 the Federal Reserve Board to carefully

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2 scrutinize the proposed merger so that low-
3 and moderate-income and minority communities
4 are served by tangible benefits and
5 continued commitment.

6 Once the New York City leader in
7 community development lending, in our
8 experience Chase has backed off from this
9 commitment to affordable housing production
10 since its last merger with JPMorgan. In the
11 1990s when Chase was accessible and
12 committed to working hand in hand with
13 neighborhood organizations, PACC had two

14 projects funded by Chase. Our last two
15 projects have been funded by Fleet because
16 it has stepped up as flexible committed
17 lender.

18 We recommend that, as a consequence of
19 this merger, JPMorgan Chase/Bank One again
20 establish a community development structure
21 that effectively supports neighborhood-based
22 organizations in their efforts to produce
23 affordable housing for their communities.

24 Just to comment on Mark Willis's
25 statements also, as a community

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2 organization, which has been providing
3 foreclosure and default counseling and
4 financial literacy and education for over
5 ten years in our community, I'm a little
6 affronted when he said the bank is going to
7 come and teach us about these practices and
8 teach us about loss mitigation counseling
9 and false counseling. So I also say that I

10 hope that the banks will enlist the help of
11 neighborhood-based community organizations
12 that provide these services in spreading the
13 word on how to better serve our clients.

14 Our reservations about the proposed
15 merger can be assuaged by a formalized
16 written CRA agreement with JPMorgan
17 Chase/Bank One that commits them to an
18 increase in lending and philanthropic giving
19 for community development and housing
20 preservation, and sets clearly defined goals
21 in relation to investing practices and
22 retail services in LMI and Minority Census
23 Tract areas. JPMorgan Chase and Bank One
24 have been negotiating a detailed agreement
25 with organizations in Chicago and that

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2 agreement could easily serve as a template
3 for such an agreement in New York and other
4 major markets where JPMorgan Chase and Bank

5 One have significant influence. With
6 agreements such as these in place, the new
7 entity will be ultimately much more
8 responsive and attuned to the needs of low
9 and moderate income and minority
10 communities.

11 As our original bank around the corner
12 moves to be the bank of the nation and the
13 world, we hope that this new firm will
14 expand its services for our community and
15 continue to be a strong community partner.
16 Thank you.

17 MS. BRAUNSTEIN: Thank you.

18 MR. MURIANA: Good morning. And thank
19 you for this opportunity to testify.

20 My name is Joe Muriana, and I am the
21 President of the Board of University
22 Neighborhood Housing Program, created twenty
23 years ago by Fordham University, the Jesuit
24 university of New York City, where I
25 currently serve as Associate Vice President

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2 for Government and Urban Affairs.

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UNHP is a community-institutional partnership designed to promote the creation and preservation of affordable housing in the northwest Bronx, serving as a community financial intermediary, a technical assistance and loan packaging assistance provider, and a catalyst on affordable housing issues. University Neighborhood also has been designated as a Community Development Financial institution by the U.S. Treasury Department. We have made and leveraged over 70 acquisition, renovation and refinancing loans to over 50 multifamily affordable housing projects totaling more than \$15 million, as well as advancing other projects with tens of millions of other dollars invested in projects where we have provided technical assistance and loan packaging services.

University Neighborhood Housing Program has a long history with JPMorgan Chase and with the various predecessor entities that

25 have become part of the JPMorgan Chase

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2 organization in recent years. We have
3 received grant support from JPMorgan Chase
4 for a number of years. Our Executive
5 Director, Jim Buckley, currently serves on
6 the Chase Advisory Board.

7

8 Chase Manhattan was the first lender to
9 participate in UNHP's multifamily
10 acquisition loan fund back in 1988. Chase
11 initially established a below prime rate
12 revolving line of credit for \$100,000 that
13 permitted us to make loans to permit the
14 acquisition by community-based nonprofit
15 housing groups of two multifamily properties
16 that were in serious states of
17 deterioration. We were able to continue
18 drawing against the revolving line of credit
19 to do other deals, and when it became time
20 for renewal, Chase increased the line to a
quarter million dollars. Chase's

21 willingness to take the lead in this
22 instance paved the way to bring other
23 financial institutions into our work.

24 Chase initially provided acquisition
25 and construction financing in the amount of

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2 \$4 million on five multi-family buildings
3 containing 275 apartment units. We then
4 began to develop other lending tools to
5 assist tenant and community organizations.

6 This time we worked with the folks at
7 Chemical and ultimately at Chase, through
8 their Housing Opportunities Program. Our
9 first deal involved \$50,000 zero percent
10 loan to get gas service restored to 87
11 families on Garden Street. That deal and
12 its success led to Chase's funding of
13 University Neighborhood's other lending
14 programs with another \$250,000 loan through
15 the Housing Opportunities Program in 1996.

16 Chase issued a new loan in 2001 for \$400,000
17 that we have continued to use to support our
18 ongoing loan programs.

19 Chase also collaborated with UNHP to
20 combine philanthropic dollars and
21 market-rate loan money to allow the
22 acquisition and rehabilitation of two
23 buildings with 31 apartments known as
24 Tremont-Anthony. This project highlighted
25 the value of bank flexibility and creativity

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2 combined with our own to make a difficult
3 deal work that linked together Low Income
4 Housing Tax Credits with a variety of other
5 funding sources.

6 The Merger.

7 In the course of the many banking
8 mergers we have undergone in the Bronx, we
9 always remain concerned about their impact
10 on our communities. While we have had a
11 generally positive history with Chase in our

12 community, it is only reasonable and
13 realistic that we would be concerned about
14 the maintenance of effort, creativity and
15 willingness to initiate new efforts in and
16 on the part of the new bank. It is very
17 possible for community-based organizations
18 such as ours to get lost in bank
19 megastructures, especially if they become
20 geographically more remote. It is with
21 these concerns in mind that we make the
22 following comments:

23 Corporate and community leadership has
24 been a common thread in the history of our
25 relationship with Chase. Over sixteen

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2 years, Chase has maintained its efforts with
3 us, and the benefit has been clear for both
4 the bank and our community. If the merger
5 is approved, we expect that the new bank
6 will provide exceptional leadership. As

7 part of Jim Buckley's participation on the
8 Community Advisory Board, We are involved in
9 ongoing discussions with both banks about
10 the development of a new compact that Mark
11 Willis referred to, that would outline some
12 basic principles that the bank will commit
13 to as part of their community development
14 efforts with groups and communities like
15 ours. One of those principles is the
16 importance of developing plans and goals in
17 active partnership with local leaders.
18 Chase has been good at this in the past; we
19 want to make sure that they continue to be
20 good at it in the future.

21 Another theme is the recognition that
22 community development needs are different in
23 different communities, and that frequently
24 there is a need for innovative efforts to
25 meet those needs. We do support the general

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2 privately held. A significant amount of
3 that housing is currently at risk, in part
4 due to rising prices. Chase has been a
5 major leader in multi-family rehabilitation
6 financing and can be an invaluable asset in
7 developing awareness in the financial
8 community about the issues confronting this
9 type of housing.

10 Based on our underwriting of recent
11 sales transactions, margins are very tight,
12 and if and when the current record low
13 interest rates rise, the large number of
14 5-year balloon mortgages with 20- to 30-year
15 amortization schedules that will be coming
16 due in the next few years will raise
17 significant challenges for our
18 neighborhoods. We have experienced the
19 bursting of real estate bubbles before, and
20 the results for most buildings and tenants
21 are not good. We look to the bank to join
22 us in our efforts to strengthen existing

23 vehicles and possibly create new ones that
24 will allow early intervention in financially
25 distressed buildings to address this

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2 problem.

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With regard to one- to four-family homes, there is a problem. We are concerned with the growing number of foreclosures. We have communicated with Chase about the need to develop a greater effort on foreclosure prevention on Chase-serviced mortgages.

Research has shown that a large number of the Chase-related foreclosures in the Bronx are FHA-insured. We view as essential the proposed creation of a centralized office of operation in the new bank which would make information available to assist homeowners and groups trying to assist those homeowners. We urge both banks to make this office a model for the industry and we offer

18 our assistance to make that happen.

19 In closing, we at University
20 Neighborhood pose a leadership challenge to
21 both these banking institutions to recommit
22 and reengage in meaningful ways in a new
23 compact with their communities.

24 Thank you very much.

25 MS. BRAUNSTEIN: Thank you very much.

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2 We would ask the next panel to come
3 forward.

4 Once again, I would ask the panelists
5 to please make sure to give your name and
6 organization. I also ask everybody to
7 please keep an eye on the timekeepers and
8 pay attention to their signs.

9 With that, we will start with Mark
10 Pinsky.

11 MR. PINSKY: Thanks. Good morning,
12 Sandy.

13 My name is Mark Pinsky. I am President

14 and CEO of National Community Capital
15 Association -- nCCA, as we call. It is a
16 national membership network of
17 private-sector community development
18 financial institutions, numbering more than
19 150. Many of them are on this panel; others
20 are speaking later today.

21 CDFI is a community-development
22 financial institution of the private-sector
23 financial intermediaries that work outside
24 the margins of conventional finance, with
25 the goal of sort of moving those margins or

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2 bringing the economic mainstreams into the
3 lives and the markets of communities outside
4 those margins, to bring those markets into
5 the economic mainstream. In that role we do
6 a fair amount of business with a large
7 number of banks.

8 The CDFI industry in this country has

9 done over \$10 billion of financing
10 historically, small in the context of
11 mainline financial institutions, quite
12 significant in the context of many of the
13 communities where we work. That financing
14 supported affordable housing, home
15 ownership, rental, supported businesses from
16 micro very small businesses to midsize
17 businesses, and has supported community
18 facilities, community services.

19 Both JPMorgan Chase and Bank One have
20 been active players in the CDFI industry and
21 supporters of our efforts. Historically, we
22 have created about 190,000 housing units,
23 about 290,000 jobs, maintained and supported
24 or served over 4,000 community
25 organizations.

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Let me, if I may, give you a few
examples of the kind of things that these
banks have done historically. Most

5 recently, JPMorgan Chase has played a
6 leadership role in providing investment
7 funds to the National Cooperative Bank
8 Development Corporation in creating
9 liquidity facilities to support the
10 financing of charter schools, a major area
11 of activity for CDFI's, and addressed a
12 need, as CDFI's have developed capacity in
13 charter school financing, to create
14 liquidity for financing as far north as New
15 York, as far south as Virginia. As an
16 innovative product, JPMorgan Chase helped
17 organize the financing and helped do the
18 structuring of the deal. It was an
19 innovative deal. We think it will have
20 tremendous benefits for the communities
21 where we work.

22 Another example is in Arizona. Bank
23 One provided a liquidity facility and some
24 grant resources, as well as some technical
25 expertise and staff expertise, to PPEP

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2 Business Center, which provides business
3 financing in Tucson and southern Arizona.

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Another example of my organization,
5 National Community Capital; we are in the
6 process of creating a rating system for CDFI
7 to use for increasing capital into the
8 communities where we work. JPMorgan Chase
9 has taken a leadership role in helping us to
10 think through and develop that product, as
11 well as implement it.

12

We are here today supporting the
13 proposal for the merger. We think it is in
14 the best interest, by and large, of the
15 communities that we serve and is most likely
16 to lead to the integration of some of those
17 markets and some of those communities into
18 the economic mainstream creating
19 opportunities for millions of folks.

20

Having said that, I want to say that
21 support for CDFI is not an either/or
22 proposition; it is a both/and proposition.
23 And there are many things that have to
24 happen outside of that. I speak from the

25 perspective of CDFI because that's what I

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2 know best, but I think that there is a wide
3 role for the proposed merged bank to support
4 other community organizations and to address
5 some of the concerns that we have heard
6 already and, I am sure, other concerns that
7 you will hear as well.

8 I think we have heard that the leaders
9 of the two banks talk about wanting to
10 create a truly great international financial
11 services company. I think we should expect
12 them to create a truly great community
13 finance organization as well. I think that
14 some of the issues we have heard and issues
15 that, I suspect, you will hear about are
16 things that reasonably do need to be
17 addressed, and I think we need to meet their
18 expectations.

19 Payday lending deserves scrutiny. It

20 is something that is not good for
21 communities and shouldn't be continuing.
22 Efforts to address predatory lending; we
23 should press the new bank to address them
24 and take them seriously. And I think you
25 will hear other issues.

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2 In closing, I hope that, I trust that,
3 JPMorgan Chase and Bank One, the merged
4 bank, will take those issues seriously and
5 will address any shortcomings that they may
6 have and that they may find that may come
7 out of this hearing or otherwise. At the
8 same time I trust that the Federal Reserve,
9 all of you, as you look at this, will also
10 take seriously and pay serious attention to
11 finding the best banking practices in the
12 underserved communities.

13 MS. BRAUNSTEIN: Thank you.

14 MR. GRANNUM: Good morning. My name is
15 Colvin Grannum. I am the President of the

16 Bedford Stuyvesant Restoration Corporation
17 located in Central Brooklyn, New York. I am
18 also on the board of ANHD and the board of
19 Local Issues Support Corporation, I served
20 on the Advisory Board for Chase.

21 Bedford Stuyvesant Restoration is
22 recognized as the nation's first community
23 development corporation, having been founded
24 in 1967 by Senators Robert F. Kennedy and
25 Jacob Javits and community residents. That

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2 model has produced thousands of houses,
3 created small businesses, and has educated
4 tens of thousands encompassing housing,
5 small business lending, youth education,
6 arts and culture activities.

7 I am here to ask the Federal Reserve
8 Board to give favorable consideration to the
9 application. JPMorgan Chase and its
10 predecessor banks have been actively

11 involved in the work of Bedford Stuyvesant
12 Restoration since its inception more than 37
13 years ago. JPMorgan Chase continues to be
14 actively involved in supporting the programs
15 and operations of Restoration, which
16 included retail operations and community
17 development lending. As I said before,
18 together we have served hundreds of
19 thousands of people in central Brooklyn.

20 A nonexhaustive list of the types of
21 support that has been provided by JPMorgan
22 Chase to Restoration includes the following:

23 Retail banking branch.
24 Bedford-Stuyvesant Restoration operates a
25 retail and office plaza alongside its art

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2 gallery, theater, technology center, dance
3 school. JPMorgan Chase's predecessor,
4 Chemical Bank, was the first tenant at the
5 Restoration Plaza 35 years ago, signifying a
6 corporate commitment to bring retail service

7 to a community that was greatly underserved
8 at the time. That staff branch continues in
9 the same location today and continues to
10 thrive.

11 In terms of board participation,
12 JPMorgan Chase over the years has had two of
13 its Vice Chairmen serve on the board of
14 Bedford Stuyvesant Restoration. Both Vice
15 Chairmen Richard LeBlonde and Joseph G.
16 Sponholz are now retired but are still
17 active in working with Bedford Stuyvesant
18 Development and Support Board and still make
19 very substantial commitments to Restoration
20 and thereby the people of central Brooklyn.

21 Community development lending.
22 JPMorgan Chase and its predecessor banks
23 have made available lines of credit to
24 Bedford Stuyvesant Restoration Corporation
25 and its affiliates. A \$500,000 line of

2 credit was made available to Bedford
3 Stuyvesant Restoration, and \$800,000 was
4 made available to Bedford Stuyvesant
5 Supermarket Corporation, which was also a
6 pioneering effort which brought a
7 supermarket to central Brooklyn, which
8 served hundreds of thousands of residents
9 over the last 25 years.

10 In the area of philanthropic support,
11 Chase and its predecessors have a 27-year
12 history which represents in excess of \$2
13 million in grant funding for affordable
14 housing, arts and culture, youth
15 development, and financial literacy.

16 Most recently, in 2003, JPMorgan Chase
17 provided a loan executive, a senior
18 corporate attorney, to work full-time with
19 Bedford Stuyvesant Restoration, at no cost
20 to the corporation, and that attorney has
21 been involved in four major commercial real
22 estate transactions that we are currently
23 considering and which will have a huge
24 impact on central Brooklyn and will bring
25 new retail services to central Brooklyn,

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2 which will serve, again, tens of thousands
3 of people.

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 When we consider mergers, we obviously
5 have to take into account the history, and I
6 think that Restoration and JPMorgan Chase
7 have had a very strong and productive
8 history. But we also have to contemplate
9 change, and of course change leads to great
10 concern. I would just urge both Chase and
11 the Fed to uphold the goal of having the
12 bank continue to preserve its active
13 involvement in neighborhoods. I think that
14 strategy has proved over the years to work
15 very soundly for Chase, and I hope that with
16 the merger it will adopt and even deepen
17 strategies which link the bank to local
18 communities. To really understand the
19 nuances of each community, I endorse those
20 comments which lead to that.

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 Of course, we certainly don't want to

22 see any diminution in the leadership of what
23 Chase has had as a result of the merger.

24 In conclusion, I would say we have
25 great expectations for the merged entity.

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2 We certainly hope that it will show
3 continued sensitivity to the neighborhood
4 issues, and we support favorable
5 consideration of the application.

6 MS. BRAUNSTEIN: Thank you.

7 MS. GERECKE: Good morning. I am Sarah
8 Gerecke, Chief Executive Officer of
9 Neighborhood Housing Services of New York
10 City. I want to thank you for allowing me
11 to testify here this morning. I am speaking
12 in support of the merger.

13 NHS is a citywide community development
14 organization that has neighborhood-based
15 offices located in all five boroughs of New
16 York City. In partnership with government,
17 financial, corporate and nonprofit

18 organizations, NHS provides low-interest
19 mortgages, refinancing loans, rehab loans,
20 down payment assistance, and many education
21 programs, including anti-predatory lending
22 awareness programs and homebuyer clubs that
23 are targeted to low- to moderate-income New
24 Yorkers who want to buy, fix and keep their
25 homes.

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Last year, NHS was directly responsible
for \$207 million in loans and grants that
assisted 1,100 New Yorkers, both new and
existing homeowners. We educated nearly
20,000 New Yorkers in pre- and post-purchase
counseling last year alone.

JPMorgan Chase has been a longtime
supporter of our organization, assisting us
in our goal of community revitalization.
Over the years, JPMorgan, Chase, Chemical
and Manufacturers Hanover have contributed

13 over \$3.5 million in support of our programs
14 and have been involved in various loan pools
15 and lines of credit, allowing NHS to invest
16 in New York City communities.

17 Just to name two, they were a very
18 early supporter of our Down Payment Program
19 Cash, and an investor in a multi-family
20 program that allows us to make loans to very
21 small multi-family buildings, that still are
22 very sorely needed throughout the city.

23 Our governance model, established by
24 our charter with Neighborhood Reinvestment
25 Corporation and ultimately through Congress,

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2 requires that our board be made up of a
3 majority of neighborhood residents, working
4 together with government and financial
5 industry, to address community needs.

6 JPMorgan Chase has been an exemplary partner
7 in this respect. Mark Willis has served on
8 our Advisory Board since 1999, and Lela

9 Wingard Hughes and Wayne Davis serve on our
10 board of directors. Many other JPMorgan
11 Chase employees currently serve on
12 committees and on our local boards of
13 directors in our neighborhood. Current and
14 retired Chase employees, such as Joseph
15 Reilly and Wesley Wainwright, continue to
16 assist in the design and direction of our
17 programs today, even though they don't play
18 a formal role. These people understand
19 community development, and they are willing
20 to share their time and expertise with us so
21 that we can create cutting-edge programs to
22 serve our neighborhoods.

23 NHS is a proud member of other
24 coalitions, such as Association for
25 Neighborhood and Housing Development from

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2 whom you will hear later today. However, we
3 thought it was very important to share with

4 you the depth and breadth of our experience
5 with JPMorgan Chase and to support this
6 merger.

7 As a major not-for-profit organization
8 in New York City, we look forward to the
9 greater commitment announced today on the
10 part of both companies to those in need.
11 With our knowledge of the staffing
12 commitments to date, we believe that in fact
13 JPMorgan Chase will exceed the promises that
14 they have made. Thank you.

15 MS. RUSSELL: Good morning. Thank you
16 for the opportunity to testify this morning.

17 My name is Cynthia Russell, and I am
18 President and Chief Executive Officer of the
19 Connecticut Housing Investment Fund, also
20 known as CHIF, based in Hartford,
21 Connecticut.

22 The purpose of my remarks this morning
23 is to testify on the role JPMorgan Chase has
24 had in helping CHIF achieve its community
25 development goals and on the bank's record

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2 in supporting affordable housing and
3 community development initiatives.

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I support the proposed merger because
5 undoubtedly the combination of JPMorgan
6 Chase with Bank One will provide greater
7 financial resources for neighborhood
8 reinvestment activities.

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CHIF is a Community Development
10 Financial Institution providing financing
11 and loan portfolio management services to
12 developers of affordable housing throughout
13 the State of Connecticut. CHIF was
14 established in 1968, and since that time has
15 provided \$120 million in financing to
16 rehabilitate or build 25,000 units of
17 housing for lower income families in
18 Connecticut. CHIF operates a \$9 million
19 revolving loan fund, and our primary lending
20 activity is directed to financing home loans
21 for development in Connecticut. CHIF
22 deploys approximately \$4 million annually in
23 lending capital and lends to development in

24 the poor cities in the states.

25 CHIF has had a strong relationship with

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2 JPMorgan Chase for eleven years. After
3 providing a small operating grant to CHIF in
4 1993, the bank gradually increased its
5 support, and now is one of CHIF's largest
6 investors. To date, the bank has provided
7 CHIF with almost \$1.5 million for operating
8 grants and investment capital.

9 The bank's ability to strengthen CHIF's
10 lending and administrative capacity is
11 indicative of JPMorgan Chase's commitment to
12 supporting community development
13 corporations. From our perspective, there
14 are two fundamental reasons why the bank's
15 contributions and investments have had a
16 significant impact on CHIF.

17 The first is the bank's expertise and
18 knowledge about the unique features of
19 community development finance. The bank's

20 staff is familiar with the role
21 intermediaries like CHIF play and has
22 developed products and services to suit our
23 needs.

24 The second is the bank's recognition of
25 the importance of providing operational

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2 support to nonprofit organizations to
3 strengthen their administrative capacity.
4 CHIF has benefited from this support, and
5 has received both operating grants as well
6 as specific grants to research new loan
7 products. The bank is one of the few
8 lenders who maintain a program to support
9 the operational activities of community
10 development organizations.

11 The best example of the way the bank
12 works is the recent commitment the bank made
13 to CHIF. When we embarked on an ambitious
14 campaign to raise \$3 million in lending

15 capital 18 months ago, the bank's community
16 development lenders worked with us to
17 identify ways JPMorgan Chase could help us
18 achieve our strategic plan goals. They
19 arranged a blend of financing that was
20 specific to our needs. Their commitment
21 also helped us leverage additional
22 investment from other private institutions.
23 As a result of the bank's decision to
24 support our growth, we expect to achieve our
25 goal.

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2 In closing, JPMorgan Chase's support of
3 CHIF has been essential to our growth. The
4 bank has provided us with a diverse array of
5 financial support to enable us to develop
6 new homes and rental units for lower income
7 families throughout Connecticut. We hope
8 that the new bank will continue the programs
9 and services it offers to community
10 development organizations, and we look

11 forward to continuing our partnership with
12 it today. Thank you.

13 MR. RUBINGER: Good morning. My name
14 is Michael Rubinger. I am President and
15 Chief Executive Officer of LISC, the Local
16 Initiatives Support Corporation. We place
17 great value on our partnerships with both
18 JPMorgan Chase and Bank One, and I am
19 delighted to have an opportunity to testify
20 today on what we believe is their
21 outstanding performance in the low-income
22 communities where we work and in support of
23 their proposed merger.

24 LISC is one of the nation's largest
25 nonprofit community development support

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2 organizations, operating in over 300
3 communities nationwide. Since 1980, we have
4 invested over \$5 billion in low-income urban
5 neighborhoods and rural areas through local

6 nonprofit community development

7 corporations, or CDCs.

8 We've helped to finance housing, retail

9 development, daycare centers, health

10 clinics, schools and community centers --

11 all serving lower-income, inner-city and

12 rural residents. This work could not have

13 been accomplished without committed donors,

14 lenders, and investors like JPMorgan Chase

15 and Bank One.

16 Together, these two financial

17 institutions have placed over \$700 million

18 in investment through LISC into low-income

19 neighborhoods, places previously burdened by

20 their inability to attract private

21 investment. That is why the commitment of

22 JPMorgan Chase and Bank One has been so

23 essential and has had such stunning impact.

24 Since 1980, our first year of

25 operation, Chase has been our single largest

2 financial partner, providing LISC with
3 grants of \$9 million, below-market loans of
4 \$35 million, and has invested over \$555
5 million in the development of literally
6 thousands of multi-family, low-income rental
7 apartments through our subsidiary, the
8 National Equity Fund.

9 But numbers alone do not tell the full
10 story of our relationship. In virtually
11 every innovative new program we've launched,
12 JPMorgan Chase has been at the forefront,
13 willing to take risks in the interest of
14 progress.

15 On the national level, for example,
16 JPMorgan Chase helped LISC to create the
17 first secondary market for
18 community-development loans; an innovative
19 equity investment fund for major inner-city
20 supermarkets; and the nation's first real
21 estate investment trust dedicated to
22 community development. Chase has also been
23 active in generous support of our loan
24 programs around the country.

25 Our relationship with Bank One also

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goes back 20 years and includes grants,

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loans, and equity investments of over \$100

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million to support community development

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efforts in such cities as Chicago, Detroit,

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Milwaukee and Phoenix. While we can provide

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the early-stage and high-risk capital that

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community projects need to get started, our

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efforts can succeed only if banks are

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willing to provide direct conventional

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financing as well.

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In our shared markets across the

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country, JPMorgan Chase and Bank One have

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been an important source of construction and

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permanent financing for these projects, even

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in some of the toughest high-risk markets.

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While my written testimony provides

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numerous examples, let me cite just one. In

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New York, JPMorgan Chase provided

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construction and permanent financing,

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through the Abyssinian Development

22 Corporation, for a 55,000-square-foot
23 Pathmark Supermarket on 125th Street in
24 Harlem, completed in 1999. At the time it
25 was undertaken, that project was viewed as

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2 an extremely risky venture. Today it is
3 highly successful, providing essential
4 retail services to local residents and,
5 perhaps more importantly, has become a
6 catalyst for the rejuvenation of 125th
7 Street east of Park Avenue.

8 There is no doubt in my mind that
9 without Chase's commitment to the community
10 and a willingness to go the extra mile,
11 particularly in the tough times, that
12 project would not have happened.

13 In sum, JPMorgan Chase and Bank One
14 have been vital and productive markets for
15 LISC in our community revitalization
16 efforts. During the years we have worked

17 with these banks, they have been involved
18 with a succession of mergers and
19 acquisitions. Despite these various
20 changes, in our experience they have
21 consistently maintained, or even increased,
22 the collective commitment of their
23 predecessor institutions to low-income
24 neighborhoods and their residents.

25 We support the merger of these two

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2 companies in the belief and the expectation
3 that the larger and more powerful combined
4 entity will continue its commitment to
5 communities in need.

6 Thank you very much.

7 MS. BRAUNSTEIN: Thank you.

8 MR. RAYNOR: Good morning. Thank you
9 for the opportunity to testify.

10 My name is David Raynor, and I am the
11 Executive Director of the Leviticus
12 Alternative Fund, a CDFI serving New York,

13 New Jersey and Connecticut, with offices in
14 Yonkers, New York. Our fund lends for the
15 development of affordable housing and
16 community facilities with an emphasis on
17 child-care centers serving children from
18 low-income families. Chase, and now
19 JPMorgan Chase, has been an important
20 supporter of our work for many years.

21 I am here this morning to testify about
22 the support we have received from JPMorgan
23 Chase and about our relationship with the
24 staff of the bank's Community Development
25 Group. My purpose in testifying is to

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2 stress the importance of maintaining the
3 same level of support for CDFI's and
4 community development following the merger
5 with Bank One.

6 Leviticus receives regular general
7 operating support from JPMorgan Chase and

8 has for many years. Along with the support
9 came a relationship with the bank at many
10 different levels. In my five years as
11 director of Leviticus, I have received
12 regular visits from the bank's foundation
13 staff checking on the effective use of their
14 grant funds. There has always been a clear
15 relationship between our performance and the
16 level of support.

17 For instance, our deployment ratio is
18 an important measure of our effectiveness as
19 a CDFI, and as our deployment grew over the
20 last several years, the bank's support for
21 our efforts also grew. In my mind the bank
22 makes a clear effort to invest limited grant
23 dollars where they will show the greatest
24 social benefit.

25 In 1997, when we launched our child

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2 care lending program, Chase was the first to
3 step up with a \$100,000 grant to support our

4 effort. And in 2000, after our child care
5 Lending had proven its effectiveness with
6 over \$3 million in lending and the
7 preservation or creation of hundreds of
8 child care slots, we approached JPMorgan
9 Chase to provide additional low-cost capital
10 and they responded with a \$200,000
11 recoverable grant.

12 When the New Markets Tax Credit Program
13 was launched, we again saw it as an
14 opportunity to raise additional capital to
15 support our child care securities lending,
16 and we set out to establish the legal and
17 investment framework to support a tax credit
18 allocation. From the beginning, JPMorgan
19 Chase personnel showed interest in investing
20 in CDFI's using New Markets Tax Credits.
21 There was a lot to be learned about the
22 NMTC. At the seemingly endless series of
23 workshops and meetings I attended over a
24 two-year period, the bank's personnel were
25 always present and always interested in our

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2 plans. Eventually they provided us with a
3 letter of intent to invest to support our
4 application to the CDFI Fund, as well as a
5 \$25,000 grant to help us cover some of the
6 costs involved in pursuing an NMTC
7 allocation.

8 Aside from the financial support,
9 JPMorgan Chase personnel have been involved
10 with our fund at many levels. Elliot Hobbs,
11 a VP in the Community Development Group's
12 real estate lending department, has served
13 on our portfolio review committee for over
14 six years, and Dennis McDermott, a JPMorgan
15 Chase Streetbanker, has served on our
16 Finance Committee for eight years. They
17 serve faithfully, and regularly roll up
18 their sleeves to help us through the tough
19 issues of community development lending. We
20 could not accomplish our mission without the
21 support of volunteers like Elliot and
22 Dennis.

23 JPMorgan Chase seems to have an

24 exceptionally large community development
25 staff. I've never actually compared the

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2 staff size to that of other banks, but the
3 JPMorgan Chase people seem to be omnipresent
4 at the many meetings and conferences on
5 community development that take place in the
6 New York area. As a result, the bank makes
7 a big contribution to the ideas and thinking
8 that help shape the ever-changing community
9 development environment. They get to know
10 both the issues and the people involved in
11 community development very well, and they
12 are able to serve as information and even
13 deal brokers in a very positive way.

14 JPMorgan Chase Streetbankers, for
15 instance, are an important source of
16 referrals for Leviticus lending programs.
17 They know what we do and are often in a
18 position to bring us leads or to promote our

19 work.

20 On a wider level, a good example is the
21 bank's influence over the movement to
22 institute a rating system for CDFI's. Mark
23 mentioned this earlier. Community
24 Development Group staff are quite involved
25 in this effort and have done a great deal to

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2 educate CDFI's on the need for a ratings
3 system and the benefits that will ensue.

4 This relationship with the JPMorgan
5 Chase Community Development Group and the
6 JPMorgan Chase Foundation has clearly been
7 beneficial for Leviticus, but more
8 importantly it has been beneficial to the
9 not-for-profit organizations and CDC's that
10 our lending supports.

11 In closing, I would ask the regulators
12 considering this merger to ensure that the
13 level of support that New York area
14 community development organizations like

15 Leviticus have depended upon from JPMorgan
16 Chase continue beyond the merger.

17 Thank you very much.

18 MS. BRAUNSTEIN: Thank you very much.

19 At this point we are going to take a
20 break. We are running behind, but we are
21 going to cut the break to ten minutes, so we
22 are going to reconvene at 11 o'clock. It is
23 now ten of.

24 (A recess was taken.)

25 MS. BRAUNSTEIN: Our next panel is

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2 representatives from The Greenlining
3 Institute. I just want to remind the panel
4 that you have one-half hour. As I have
5 reminded everybody else, please keep your
6 eye on the timekeepers.

7 If you have written prepared
8 statements, please leave them with the court
9 reporter; hand them to the gentleman sitting

10 right in the center here, at the table.

11 The last thing is to please state your
12 name and organization as you begin your
13 remarks.

14 MR. PINA: Thank you.

15 Chairman Greenspan and members of the
16 Federal Reserve Board:

17 I and the 32 minority organizations of
18 the Florida Minority Community Reinvestment
19 Coalition thank you for giving us this time
20 to speak at this hearing. I am Al Pina, the
21 Chairman of the Coalition.

22 The economic distress of minority
23 communities may be one of the most pressing
24 issues not only facing Florida but also
25 states such as New York, Illinois, Texas,

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2 Arizona and California. The lack of
3 businesses and jobs fuels not only a
4 crushing cycle of increasing poverty but
5 also crippling social problems, such as drug

6 abuse and crime in our minority communities.
7 The establishment of a sustainable economic
8 base, together with employment
9 opportunities, wealth creation, role models,
10 and improved local infrastructure, is
11 critical to the future well-being of
12 minority communities not only in the State
13 of Florida but throughout the United States.

14 The global economy will forever change
15 the face of this nation. Minorities are the
16 future economic soldiers who will serve to
17 continue to ensure that the values of our
18 country are multiplied that will ensure we
19 as a country remain strong and the global
20 economic leader for centuries to come. But
21 you at the financial institutions, such as
22 Chase and the Federal Reserve Board, must
23 ask yourselves: Are our minority
24 communities properly prepared to meet this
25 challenge.

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The fuel for the economic engine to

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reverse this distress in our communities is

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capital. Capitalism without capital is just

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an "ism," and I am here representing over 32

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minority organizations in Florida to tell

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the leaders of JPMorgan Chase, Bank One, and

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the Federal Reserve Board that there is

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nothing but "ism" in our communities. This

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is not a minority issue but a national issue

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that presses directly to the future of this

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great country of ours.

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This "ism" is something we have termed

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"capism." What is capism? It is something

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that is much more cruel than racism. What

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is the byproduct of capism in Florida to

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minority communities: Above the national

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average in both poverty and unemployment, 50

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percent of children dropping out of high

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school, over 65 percent of children of

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single-parent households living in poverty,

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and on and on and on.

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But, more importantly, what is the

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result of this byproduct of capism? The

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loss of hope and dreams.

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Eugene O'Neill, the playwright, in his autobiographical play "Long Day's Journey into Night," towards the end of this play has his mother saying these words: "None of us can help the things that life has done to us. They are done before you realize it. And once they are done, they make you do other things. Until, at last, everything comes between you and what you like to be and you have lost your true self forever."

Those who have suffered from the byproduct of capitalism have responded to such actions and have lost their true self forever. How many scientists, teachers, doctors, engineers, and so on, has this country lost because of loss of hope and dreams.

Whether we as a country want to see the future or not, it will not stop the fact

21 that minorities will make up over 50 percent
22 of the population in years to come in such
23 states as Texas, California, Arizona and
24 Florida. Yet these minority future economic
25 soldiers cannot read, write or, worse,

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2 participate in capitalism because of lack of
3 proper access.

4 I am here to tell the leaders of
5 JPMorgan Chase, Bank One and the Federal
6 Reserve Board the model used to monitor and
7 regulate access of capital for low- and
8 moderate-income communities is broke. It is
9 broke and make no mistake about this.

10 Just one example, and there are
11 hundreds: When a bank can count a high-rise
12 condominium complex in downtown Miami as a
13 CRA investment, it offends us and, worse, it
14 makes this country weaker.

15 A question that all of us in this room
16 today must ask ourselves is: Do we wish to

17 act in a good way or a great way? It has
18 been great acts, not good acts, that have
19 changed history to the betterment of
20 mankind. The new solutions for the 21st
21 century must be ones that we engage not only
22 the minority leaders but all minorities into
23 capitalism.

24 When Prime Minister Kanoya of Japan
25 died, by his bedside was found Oscar Wilde's

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2 book "De Profundis" and in that was
3 underlined one line. The Prime Minister had
4 remembered all the horrific war crimes that
5 he had been instrumental in perpetrating,
6 and he had underlined this one line in
7 Wilde's book: "As terrible as were the
8 things I did to others, none of them matched
9 what I did to myself."

10 As leaders, we must always realize that
11 our actions will always affect others, and

12 the actions of JPMorgan Chase, Bank One and
13 the Federal Reserve Board on this merger,
14 and others, will and do affect millions of
15 minority lives, be it for better or worse.

16 It is very easy for business and
17 political leaders to get out of tract? And
18 the results are that it brings oppressions
19 more and more onto the minority people till
20 the bony shoulders of poverty can only take
21 it so long and, as Charles Dickens said in
22 his novel "A Tale of Two Cities": "Humanity
23 long oppressed grew up into that distorted
24 monstrosity called the guillotine." You
25 must hear the cries of the people. You

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2 cannot hear these cries from a boardroom,
3 the tower of your bank, or Federal Reserve
4 building, but in the streets of lost hope
5 and dreams.

6 We in Florida understand that bigger

7 does not mean worse, and those companies
8 must also prepare themselves for the global
9 economy to remain financially strong. But
10 as companies such as JPMorgan Chase/Bank One
11 shift their business model to better compete
12 in the global economy, we must shift the
13 community development and CRA model to
14 better serve the future.

15 Hindsight is always 20/20.

16 All news is old news happening to new
17 people.

18 In Edward Gibbon's novel "The Decline
19 and Fall of the Roman Empire," he gave these
20 reasons for the destruction of the Roman
21 Empire. The Empire collapsed because of the
22 undermining of dignity and sanctity of home
23 as the basis of human society.

24 Which leads us to: The ultimate test
25 of a civilization is what we do with our

3 and when they are testing you out on ethics,
4 they will ask you something like this: Is
5 it right to allow children to suffer? And
6 even to those who are against absolutes,
7 this question becomes: Is it right to allow
8 children to suffer? I have never met anyone
9 who has said "yes." Because somehow the
10 ultimate test of any civilization is what we
11 do with our children. Yet, we are living a
12 time in history when more minority children
13 are suffering in many ways.

14 Second, description by Gibbon: Higher
15 and higher public expenditure of free bread
16 and entertainment for the masses.

17 Third, the mad craze for pleasure and
18 sports that grew increasingly sadistic.

19 Fourth, the building of great armaments
20 when the real enemy was within and the decay
21 of individual responsibility.

22 Fifth, the decay of religion as faith
23 faded into mere formality.

24 Does any of this sound familiar. The
25 future worries me in many ways. But I have

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2 hope. We want to engage a new model not
3 based on a social premise but a for-profit
4 model that will engage our community into
5 the future global economy.

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As I lead this effort to build
7 economic bridges in Florida, today I begin a
8 seven-day fast so I can understand the heart
9 of those who do without, so I can feel as
10 well as hear their cries.

11

Let us make new mistakes, not old ones.

12

So, as a coalition, we neither oppose
13 nor support this merger, but we support a
14 new model and great new solutions.

15

MS. HA: My name is Vina Ha. I am the
16 Banking Fellow at The Greenlining Institute,
17 a policy think tank and advocacy
18 organization located in the San Francisco
19 Bay area.

20

Although JPMorgan Chase will likely
21 become the second largest bank in the
22 country, it has shown no interest in being a

23 financial leader to low-income and minority
24 communities in California. Unlike the Bank
25 of America, Wells Fargo, Washington Mutual

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2 and Citigroup, JPMorgan Chase has no
3 community reinvestment plans, no supplier
4 diversity goals and no major philanthropic
5 programs in our state. The absence of these
6 plans, coupled with the fact that the bank
7 made over \$17 billion in mortgage loans in
8 2002, is indicative of the bank's colonial
9 relationship with California.

10 An example of JPMorgan Chase's
11 disinterest in serving the needs of
12 California's low income and minority
13 communities is evident in the failure of its
14 Dream Maker home mortgage-lending program in
15 California. When introducing its Dream
16 Maker program, a Chase representative stated
17 that it is "their mission to close the

18 homeownership gap in America." But, based
19 on the most recently available HMDA data,
20 JPMorgan Chase is failing that mission. In
21 2002, when examined with the seven largest
22 banks in the state, Chase finished last in
23 making conventional home purchase loans to
24 Latinos and next to last to low-income
25 African Americans in California.

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2 Similarly, Chase's record of charitable
3 giving to programs that support minority and
4 low-income communities is equally abysmal.
5 CEO William Harrison's \$20 million in salary
6 and bonuses easily overshadowed the \$200,000
7 the bank gave in philanthropy for low-income
8 minority groups in California for 2002.

9 Considering these figures, it is not
10 surprising that for two years in a row
11 JPMorgan Chase has been ranked last among
12 megabanks in corporate reputation by Fortune
13 magazine.

14 So how do we improve JPMorgan Chase's
15 standing in California and in the nation?
16 As the second largest bank in the U.S.,
17 JPMorgan Chase must pay attention to the
18 sixth largest economy in the world. We urge
19 the bank to do the following:

20 First, the CEOs of JPMorgan Chase and
21 Bank One should come to California within 30
22 days and meet with community groups.

23 Second, although the \$800 billion
24 investment commitment which was announced
25 today surpasses the Bank of America's \$750

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2 billion commitment, JPMorgan Chase should
3 also match or exceed Bank of America's
4 philanthropic agreement of \$1.5 billion
5 committed to philanthropy over ten years.
6 Both of these should have a specific
7 allocation for California. Thank you.

8 MR. HENDERSON: Good afternoon. I am

9 happy to be here. My name is John
10 Henderson. I am the foremost advocate
11 throughout the Southeast at the present
12 time. Let me just say this. I represent
13 the Economic National Foundation and right
14 now throughout the low- and moderate
15 economic community we are fighting two wars,
16 because one way for us to come out of the
17 cycle of poverty and a lack of network is to
18 go into the military. Right now, we are
19 fighting a war on a front to protect
20 freedom. Yet we have to come back here and
21 fight the Federal Reserve Board for allowing
22 not just Chase to have access to this big
23 merger but Bank of America, Wachovia, First
24 Union -- all these different banks.

25 I am not opposed to Chase's merger. As

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a matter of fact, I am for it, because I

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believe that this is the time, with the new

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\$800 billion commitment, that we want to see

5 Chase respond to all of these petitions from
6 people that work from paycheck to paycheck,
7 to get equity capital so that our college
8 students, our small business firms, our
9 entrepreneurs, do have access to capital.
10 OK. So I am for that. We are also for you
11 guys getting involved with us.

12 But let me tell you: The current model
13 of economic development under the CRA is not
14 working. 1977 legislation to date has not
15 worked. There is a continual downward
16 spiral of net worth in the African-American
17 community, the Hispanic community, and even
18 the white community, low- and
19 moderate-income communities throughout the
20 black belt and the Southeast and across the
21 nation.

22 True economic development takes what
23 the legislation was written for: It takes
24 the person at the bottom and brings him
25 upward with net worth, with job creation.

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You released a study on 1/23/2003 that said that the net worth is widening, the gap is widening, between the haves and the have-nots. This is in our proposal.

Homeownership and stock ownership is what true economic development does. So those CDFI dollars that are committed we want to see committed to organizations and CDCs first, with business plans that produce models that are for-profit models, that we can self-sustain ourselves and build our own community, not the situation that is happening in Orlando right now. In the African American community, where the bank took \$674 million and gave to a \$34 million organization, they developed in my area, and only one person was put in the development. That is deplorable -- no, that is criminal.

Part 24, Title 12, U.S.C. 224 says that you guys have an obligation to put those moneys into our community. You put it into the hands of rich developers that are not empowering people.

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So we are in a state of emergency. I

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stand here and represent youth and young

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adults. I see what is going on in our

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community on a daily basis. We haven't been

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funded today and we are still here.

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So, for the record, I would like to

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submit a blank petition to everyone, and I

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would like to submit copies of the petition

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to both Mr. Willis, the bank, and the

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proposal to go with it.

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Now let me say we have a project called

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Project Turnaround, which is a

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revitalization plan that is under our Equity

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Now campaign. It is going to create jobs

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for unskilled people, This is a local

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economy. We must change our thinking in

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many areas. And we actually want Bank One

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to take the lead. With the same

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billion-dollar commitment, let's use this as

20 an opportunity to change our low-income
21 area. We want to focus on trade with
22 Africa.

23 We thank you for your time and that's
24 all we have to say.

25 MS. AUNG: My name is Khin Aung. I am

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2 here to read a couple of statements, for
3 individuals who couldn't be here today.

4 First is the statement by Marco Firebaugh.

5 Good morning. Thank you for the
6 opportunity to testify before you today and
7 to have my testimony incorporated into the
8 record of today's hearing on the proposed
9 merger of JPMorgan Chase and Bank One. The
10 purpose of my testimony is to identify
11 specific concerns and to make a number of
12 recommendations about the proposed merger in
13 my capacity as the Chair of the California
14 Latino Legislative Caucus.

15 I am extremely concerned about several

16 recent reports citing the need for JPMorgan
17 Chase to address a lack of social
18 responsibility in their operations.
19 Predatory lending and unacceptable ethnic
20 disparities in loan denial rates are among
21 issues that have been raised.

22 For example, according to information
23 obtained by my office, JPMorgan Chase
24 contributed approximately \$1.6 million
25 annually in philanthropic contributions in

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2 California. In sharp contrast, Bank of
3 America's philanthropy contributions will
4 total \$45 million or more each year in
5 California over a ten-year period. Last
6 year, Citigroup's philanthropic investments
7 in the state totaled \$38 million, and Wells
8 Fargo invested more than \$35 million.

9 Accordingly, in consideration of the
10 JPMorgan Chase's past record, its lack of

11 specific plans for providing for a banking
12 presence in California, and the
13 well-documented need for banking service, I
14 offer the following recommendations that
15 should be incorporated as conditions for the
16 approval of the proposed merger:

17 JPMorgan Chase should be required to
18 make a strong and targeted Community
19 Reinvestment Act commitment to California.

20 It should be required to increase its
21 share of philanthropy in California,
22 including an emphasis on inner city and
23 rural areas.

24 It should be required to include
25 representation by Californians on its newly

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2 constituted Board of Directors.

3 Finally, it should be required to
4 accelerate plans to locate branch offices in
5 California with an effort to provide
6 services in "unbanked" communities.

7 Thank you for the opportunity to offer
8 testimony at today's hearing.

9 I am also going to read a statement by
10 Mark Whitlock, who is Executive Director of
11 First AME Church and FAME Assistance
12 Corporation.

13 As the Executive Director for the first
14 AME Church and FAME Assistance Corporation
15 in South Central Los Angeles, I am aware of
16 the daily challenges facing African
17 Americans in attaining personal and
18 household wealth. Through our organization,
19 FAME Assistance Corporation, we actively
20 work with financial institutions such as
21 Wells Fargo and Bank of America to solve
22 this problem by bringing in capital
23 investments to revitalize the South Central
24 community.

25 A crucial component of our work is

2 improving the level of homeownership among
3 African Americans in Los Angeles.
4 Considering that JPMorgan Chase has touted
5 its Dream Maker program as a panacea to the
6 equities of homeownership between African
7 Americans and whites, I would think that
8 they would be the leader in lending to poor
9 and low-income blacks. Unfortunately, they
10 are not.

11 For example, a recently released report
12 on African-American homeownership by the
13 Greenlining Institute ranks JPMorgan Chase
14 close to the bottom in making conventional
15 home purchase loans to poor African
16 Americans.

17 Community reinvestments by other banks
18 like Wells Fargo and Bank of America have
19 made an incredibly positive impact in South
20 Central Los Angeles but JPMorgan Chase has
21 done nothing in our community.

22 I respectfully ask the Federal Reserve
23 to deny this acquisition until JPMorgan
24 Chase makes a CRA commitment equal to that
25 of bank of America's \$750 billion commitment

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-- which I understand has been made -- and

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to also make a CRA plan for California.

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Lastly, to prove the potential our

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community has for capital reinvestment, I

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want to extend a personal invitation to CEO

7

William Harrison to attend Sunday services

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at my church and for a community tour

9

afterwards.

10

MR. KATO: Hi. My name is Daniel Kato,

11

with The Greenlining Institute. I am going

12

to speak on behalf of George Dean.

13

My name is George Dean. I am the

14

President and CEO of The Greater Phoenix,

15

Arizona Urban League, the largest Urban

16

League in Arizona. I am the past-President

17

of the California Council of Urban Leagues

18

and have served as an Urban League Executive

19

for over 30 years.

20

JPMorgan Chase has had an almost

21

invisible presence within the African

22 American community in Arizona. Although
23 Bank One's presence in Arizona is adequate,
24 it has failed in its mission of fully
25 serving our state's African American

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2 community.

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On behalf of the African-American community in Arizona, we urge that the Federal Reserve condition the approval of this acquisition upon a CRA plan being submitted to community groups in Arizona. This plan should include a substantial CRA commitment equal to the Bank of America commitment in Arizona. This should include specific commitments regarding philanthropy, supplier diversity, home loans to low-income families and minority small business loans.

In conclusion, as a first step in recognizing the importance of Arizona, the CEOs of Chase and Bank One should visit our minority communities within the next 60

18 days. The Greater Phoenix Urban League will
19 co-host this meeting along with local
20 Latino, Asian American, and Native American
21 groups. Thank you very much.

22 MR. RIVERA: My name is Alfredo "Dante"
23 Rivera. I am with the Association of Latino
24 Professionals in Finance and Accounting. I
25 am here as a substitute for our CEO who

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2 could not make it here today.

3 I would like to thank the Federal
4 Reserve panel and all our esteemed guests
5 here today.

6 The Association of Latino Professionals
7 in Finance and Accounting, or ALPFA, is the
8 leading professional association dedicated
9 to enhancing opportunities for Latinos in
10 accounting, financing, and related
11 professions.

12 Now I am going to indulge all of you to

13 please forget about the word "Latino" and
14 think of diversity, think of our entire
15 nation, and think of the opportunities that
16 we all have to make a difference in the
17 lives of those that cannot make a difference
18 for themselves today. We have the power
19 with this merger to bring the Community
20 Reinvestment Act to a level that it has yet
21 to manifest itself. We are looking at
22 children right now that are afraid of the
23 dark but the real tragedy is when an adult
24 grows up and is afraid of the light.

25 The truth of the matter is that we have

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2 to build, we must go back and we must build
3 up our communities. We have to increase
4 opportunities for all the members of our
5 communities. We are inclusive. We want to
6 cultivate initiative and with a spirit of
7 leadership. Go back to that community, be
8 good employees, be good leaders, be good

9 entrepreneurs. I want to nurture a
10 provision that requires mentoring
11 relationships. We want the combination of
12 professionalism with student. It is a
13 mentoring synergy that is there. We have
14 the opportunity to allow individuals to go
15 back and make a difference for the future.
16 The earlier that we can reach our young
17 people, the greatest resource that we have
18 in our country, if they have the answer for
19 cancer, if they have the answer for
20 leadership void that we currently have in
21 our nation, whoever comes up with that
22 solution, we just want it. We don't really
23 want to give credit to any particular group,
24 because our country was built on unity.
25 That is why we are in the United States.

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But we must learn to go back and give. And

3

this is a great opportunity, this merger, to

4 promote financial literacy education.

5 There is a host of organizations across
6 the country with volunteers, they just need
7 a little support, to go in there on every
8 single level and to start educating our
9 children how to add and how to be fiscally
10 responsible.

11 When I did mentoring in Newark, New
12 Jersey, I told one child one time -- I will
13 never forget it because I need to use it as
14 an example for today -- I told the child,
15 why don't you hold on to ten cents for every
16 dollar that comes into your hands between
17 now and the end of our mentoring program. I
18 said it to a group, but only one child came
19 back with \$2.20.

20 That child taught me that just those
21 simple words of giving them a target, giving
22 them a hope, will give them the incentive to
23 do the right thing. Well, we have great
24 potential leaders, we have great potential
25 individuals out there, that are the

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2 children, and right now they need us.

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4 These failures of the past are just
5 that. Let's move on. Let's work together.
6 Let's promote the ability of individuals to
7 appreciate the economic value of how to own
8 a home, of being educated, of embracing the
9 American dream. We want to contribute
10 toward that. We know everyone here on this
11 panel wants that. We all have different
12 views on how we are going to get there, and
13 they are all part of the American dream.

14

15 We have the freedom to express
16 ourselves. But at the end of the day do we
17 have the ability to communicate? Do we have
18 the ability to relationship build and work
19 together? That is the challenge that I
20 throw out to everyone here today but
21 especially to JPMorgan Chase and Bank One.

22

23 We have a great opportunity to do
24 something that has not been done. Please do
25 so. We want to see the right relationship,
26 which is everything. You can make a huge

24 difference. In doing so, help us create the
25 ability to embrace the fact that the power

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2 of many has the capability of working as
3 one. We are going to be out there, we are
4 going to ask you to join us. We are not
5 going to demand anything. We are going to
6 lead by example. Thank you very much.

7 MR. ALI: Good morning. My name is
8 Malik Ali. I am the Executive Director of
9 the Florida Minority Supplier Development
10 Council. FMSDC is an affiliate of the
11 National Minority Supplier Development
12 Council, headquartered in New York. NMSDC
13 is the nation's leader in supplier diversity
14 and works with over 4,000 major corporations
15 and government agencies. Through its
16 efforts, over \$70 billion was spent by
17 corporate America with minority businesses.

18 I am going to try to keep this very
19 simple. FMSDC has been Florida's leader in

20 supplier diversity for over 24 years. I
21 just want to reemphasize the importance of
22 Florida as a crossroad state. Certainly we
23 had a slight influence over the election
24 (laughter) and certainly will play another
25 role. But being in Florida the last 25

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2 years, what I have noticed is that because
3 of the effects of segregation -- and Florida
4 was one of the leading segregationist
5 states -- because of the effects of
6 segregation, minorities have not been able
7 to accumulate profits nor have corporations
8 been able to accumulate net worth. I think,
9 as we are all aware, banking decisions are
10 made based upon net worth, which is an
11 accumulation of profits. So it certainly is
12 dependent upon how long you have been
13 around.

14 I would like to use the example that

15 sometimes we have to come up with a new
16 paradigm. In other words, a lot of the time
17 corporations and bankers looks at a track
18 record. And track records are fine, but
19 track records are not necessarily an
20 indication of future potential.

21 Michael Jordan had a track record but
22 he paid prime, \$90 million, for his team.
23 Enron had a track record, Tyco had a track
24 record. There are a lot of companies that
25 had track records but, in terms of future

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2 profitability, track record is not really
3 the issue, it is the potential.

4 Getting back to Florida, Florida has
5 the lowest per net worth for minorities.
6 That is the significance of why the Florida
7 coalition is here.

8 I do want to emphasize the importance
9 of supplier diversity. What does supplier
10 diversity mean and why is it important? All

11 major corporations right now are in the
12 layoff mode. However, when companies do
13 business with minorities, they hire
14 minorities; those minorities go and buy
15 product and they stimulate the economy. It
16 is by far the most efficient and effective
17 way to stimulate the economy. So it is
18 extremely important. As was stated earlier,
19 it needs to happen at the top side and not
20 just on janitorial spots -- investment
21 banking, lawyers, etc.

22 I always like to use as an example that
23 for a while black ballplayers were not
24 allowed to come into major league baseball
25 because they weren't thought to be good

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2 enough. For a while it was thought that
3 blacks could not play quarterback because
4 they weren't smart enough to measure the
5 plays, and even for a while only recently it

6 was felt that blacks couldn't play golf. So
7 there are a lot of misconceptions that need
8 to be dispelled.

9 Anyway, bottom line, two things. I
10 make two recommendations.

11 Number one, that supplier diversity be
12 added to JPMorgan/Bank One's \$800 billion
13 formula.

14 Number two, a lot of us have stated
15 problems. What are the solutions? Moving
16 forward perhaps, regulations can be amended
17 to be inclusive of supplier diversity, or
18 perhaps there is another regulation that
19 needs to be developed that can positively
20 impact what the Federal Reserve is trying to
21 encompass in terms of economic growth and
22 activity. Thank you.

23 MS. YUM: My name is Helen Yum. I am
24 with The Greenlining Institute. I will be
25 reading a statement on behalf of the

2 National Black Business Council.

3 First, I would like to thank the New
4 York Federal Reserve for sponsoring these
5 hearings.

6 My name is Mary Ann Mitchell, and I am
7 the Chairwoman of the National Black
8 Business Council. My organization's mission
9 is to be a catalyst for the development of
10 minority-owned businesses and to support
11 reinvestment activities in the inner city.

12 My hope is that the proposed merger
13 will make JPMorgan Chase a strong partner in
14 my organization's goals, but based on
15 Chase's record I am not optimistic that this
16 merger will help us at all. Even though
17 JPMorgan Chase is one of the largest banks
18 in the nation and does a significant amount
19 of business in California, it made no
20 business loans to African Americans last
21 year and has made no plans to change its
22 outreach and lending practices.

23 Given this record, I respectfully ask
24 that the Federal Reserve deny this merger
25 until JPMorgan Chase develops a CRA plan to

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2 serve the needs of the African American
3 community in California. Thank you.

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5 MS. BRAUNSTEIN: Thank you. Your
panel's time is up at this point.

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MS. HA: Can we have just one more?

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8 MS. BRAUNSTEIN: I will give you
additional time.

9

10 MR. PAULINO: Thank you. My name is
Erik Paulino. I am a member of The
11 Greenlining Institute, and I will be
12 presenting the statement on behalf of David
13 Lizarraga, the Chairman and CEO of TELACU.

14

15 TELACU, The East Los Angeles Community
Union, is a Los Angeles-based nonprofit
16 community foundation founded in 1968. It is
17 currently one of the nation's largest
18 community development corporations With
19 offices and partnerships in other key Latino
20 markets such as Texas, New York and Florida.

21

From the building of hundreds of

22 quality, affordable homes, to the creation
23 of thousands of quality jobs, to the lending
24 of millions of dollars to families and small
25 businesses, the TELACU business philosophy

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2 is inseparable from its social philosophy.

3 There is no more viable business venture

4 than one that is economically sound,

5 enhances the community, and positively

6 impacts people's lives. That is the TELACU

7 approach.

8 TELACU understands how critical

9 financial resources are to the community,

10 and the tremendous negative impact that

11 occurs when they are not made available for

12 the community. That is why there is a

13 continuous need for community reinvestment

14 by financial institutions such as JPMorgan

15 Chase.

16 At TELACU, we believe you can be a good

17 corporate citizen and community advocate and
18 still be successful and profitable. It is
19 possible to do well while doing good for
20 others. We ask this of all the members of
21 the California corporate community, and
22 JPMorgan Chase is no exception.

23 I do not have an issue with Chase
24 wishing to merge with Bank One. My concern,
25 just like all of us here, is that with this

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2 merger there be a long-term commitment to
3 the community with a specific community
4 reinvestment pledge.

5 This merger will create the nation's
6 second largest bank, so I believe Chase
7 should make a CRA commitment similar to, or
8 greater than, that of Bank of America, the
9 nation's third largest bank. Bank of
10 America, whose headquarters are based in
11 North Carolina, seems to understand the
12 importance of community and philanthropic

13 investments, pledging \$750 billion in CRA
14 funds and \$1.5 billion for philanthropy over
15 ten years. I know that they would not make
16 this commitment if they did not definitely
17 believe that this commitment would
18 positively affect their bottom line.

19 As of today, Chase has virtually no
20 presence, leadership oversight, or community
21 reinvestment plan for California, and has
22 made less than \$100,000 in philanthropy to
23 Latino-led organizations.

24 This is unacceptable and disappointing.
25 The need to provide capital and

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2 business-related services to minority
3 communities is too large a task to be held
4 solely by small, community-based nonprofits,
5 quasi-governmental organizations and
6 special-purpose entities. The
7 responsibility is for all to share.

8 We at TELACU ask Chase to commit to not
9 only a national CRA commitment of \$850
10 billion, but commit to providing specific
11 resources to the minority communities of
12 California. We ask them to join with us,
13 engage with us, benefit from us and provide
14 us with that access to capital that our
15 community so badly needs, so we can all
16 enjoy a piece of that American Dream in the
17 greatest country in the world.

18 MS. BRAUNSTEIN: Thank you very much.
19 The next panel will please come forward.

20 Once again, I would ask each of you to
21 introduce yourself, your name and your
22 organization, and give your statement. If
23 you have a written prepared statement and
24 you have copies, please hand it to the
25 gentleman in the center, our recorder, on

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2 your way out. Thank you very much.

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MR. KLEIN: Thank you for the

4 opportunity of presenting testimony on the
5 proposed JPMorgan Chase/Bank One merger. My
6 name is James Klein. I am the Chief
7 Executive Officer of the Ohio Community
8 Development Finance Fund located in
9 Columbus, Ohio.

10 The Finance Fund is a statewide
11 nonprofit corporation, established in 1987,
12 whose clients are locally controlled
13 community organizations serving low-income
14 communities. Clients develop and implement
15 projects in single-family and multi-family
16 housing rehabilitation and new construction,
17 homeownership, supportive housing for the
18 homeless, commercial revitalization,
19 economic development, child care and Head
20 Start facilities. Our focus is on
21 low-income populations in urban and rural
22 areas in the State of Ohio.

23 Products currently being offered to
24 clients are the Linked Deposit Fund, Pre-
25 Development Program, PreDevelopment Section

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2 8 Loan, Economic Development Grant, Head
3 Start Facilities Planning Grant, Head Start
4 Critical Repair and Safety Grant, Child Care
5 Facilities Planning Grant, the Child Care
6 Capital Fund, and New Markets Credit Loan.

7 The mission of the Finance Fund is to
8 foster healthy and vital communities by
9 offering funding support to community-based
10 organizations that work to improve the
11 quality of life for low-income persons.

12 Based upon a commitment to quality, the
13 Finance Fund engages in creative approaches
14 that build bridges between capital markets
15 and distressed communities.

16 To achieve this mission, three primary
17 strategies are pursued: First, to establish
18 and maintain supportive relationships;
19 second, to leverage support for projects;
20 and third, to solicit and obtain investor
21 commitment. These were our objectives in
22 approaching Bank One. Bank One has been a
23 strong partner in our efforts to foster

24 community revitalization over the years.

25 The Finance Fund views the proposed

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2 merger of Bank One and JPMorgan Chase as a
3 potential enhancement to its current
4 strategies and mission. The combined
5 resources of the merged entity, if its
6 philosophies toward community reinvestment
7 remain constant or are strengthened from
8 those we have experienced for Bank One,
9 could significantly increase benefits to
10 distressed communities of Ohio.

11 One of the prime tenets of the Finance
12 Fund's mission is the creation of bridges
13 between public and private capital markets
14 and distressed communities. To do this, the
15 corporation's Board of Trustees must have
16 representation from both sides of the
17 equation. Bank One has a history of
18 eight-year service on the Finance Fund's

19 Board. Service has not only been basic
20 governance but also fund-raising support
21 enabling implementation of special projects
22 over the years. Currently, Bank One's
23 representation has facilitated additional
24 collaborative efforts.

25 The Finance Fund's Linked Deposit Fund

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2 is a tool that is used to reduce the
3 interest rates on permanent commercial
4 financing. The Linked Deposit Fund provides
5 community-based developers access to
6 affordable financing from local lenders for
7 housing and economic development projects.
8 The fund provides a source of revenue to
9 offset the lender's loss resulting from
10 lowering the interest rate offered to
11 borrowers. The offset -- rate subsidy -- is
12 the difference of the cash stream on a
13 conventionally priced mortgage and that of
14 the lower interest rate mortgage. The

15 deposit, which is "linked" to the mortgage,
16 is not collateral or security for the
17 mortgage and is constructed to satisfy the
18 shortfall requirement in a term shorter than
19 the mortgage term. The Finance Fund's
20 sources of equity for the Linked Deposit
21 Fund are public and private investments that
22 are used to leverage bank financing for
23 local projects.

24 Bank One has been a lending partner in
25 this product since 1990. As a result of

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2 their involvement, 240 affordable housing
3 units and 7 classrooms serving approximately
4 120 children are accessible by low-income
5 populations in Ohio. Bank One's investment
6 has enabled the Finance Fund to leverage
7 \$12.1 million in those years.

8 The Finance Fund is a successful
9 financial intermediary for community-based

10 clients. The State of Ohio has been the
11 primary resource for most of the
12 corporation's products. Fiscal year 1998
13 signaled the initiation of a strategy of
14 diversifying funding resources to create a
15 broader base of investment from both public
16 and private sources.

17 The first initiative was the
18 recapitalization of existing corporate
19 assets, primarily linked deposits, via a
20 secondary market-type sale. In this
21 transaction an investor directly "purchases"
22 the return on linked deposit Certificates of
23 Deposit already placed by the Finance Fund.
24 The transaction allows for the recapture of
25 deposits and enables additional projects.

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2 The investor/ lender makes a
3 cash-collateralized loan to the Finance Fund
4 based on an aggregated portfolio, or series,
5 of linked deposit CDs. The series

6 collateralizes 100 percent of the loan, and
7 payment is assured by the interest and
8 principal payments generated by the series.
9 Risk is low and collateral coverage is high.
10 In 2003, a Bank One loan enabled the
11 recapitalization of a \$3 million series.

12 In conclusion, because of our
13 experience with Bank One's support of
14 community revitalization efforts and its
15 demonstrated concern for meeting the needs
16 not only of the Finance Fund but also of our
17 community-based clients, we support the
18 proposed merger and its potential for
19 increasing investment in distressed Ohio
20 communities.

21 MS. NOONAN: I speak in support of the
22 merger. My name is Rose Noonan, and I am
23 the Executive Director of the Housing Action
24 Council, which is a not-for-profit
25 organization based in Tarrytown, New York.

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2 For nearly thirty years, the Housing Action
3 Council has been expanding housing
4 opportunities for low- and moderate-income
5 households. Although our primary service
6 area is Westchester County, we also serve
7 the entire mid-Hudson region, including
8 Rockland, Putnam, Dutchess and Orange
9 counties. More recently, we are working in
10 the Bronx.

11 We expand housing opportunities in
12 several ways. As an intermediary, we
13 provide hands-on technical assistance to
14 community organizations and small and
15 minority and women-owned development
16 organizations to develop affordable housing.
17 Over the years we have facilitated the
18 development of approximately 2,500 units of
19 affordable housing. Housing Action Council
20 provides the necessary infrastructure to
21 enable small community-based organizations
22 to develop such housing. Our experience
23 demonstrates that community-based
24 organizations are appropriate vehicles to
25 develop housing. They know the need and

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2 often have the trust of the community top
3 create successful affordable housing
4 projects.

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In addition, the Housing Action Council
6 is a homeownership counseling organization
7 and a member of the New York Mortgage
8 Coalition, which is a consortium of lenders
9 and community organizations in the New York
10 Metropolitan Area dedicated to increasing
11 homeownership opportunities for low- and
12 moderate-income households, in particular
13 minority households. I also serve on its
14 Board of Directors. Without homeownership
15 counseling, it is my belief that many
16 households would not have achieved the
17 homeownership dream in this area.

18

I present this background on the
19 Housing Action Council to highlight programs
20 like ours that respond to community housing

21 needs, and to let you know that JPMorgan
22 Chase has been a partner, a leader and a
23 facilitator in the geographic areas and for
24 the populations that Housing Action Council
25 serve.

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2 For example, JPMorgan Chase recognizes
3 the importance of intermediaries like ours
4 and provides annual operating support in
5 amounts that make a difference to us. It
6 offers a Recoverable Grant Program which
7 provides the all-important predevelopment
8 funds to nonprofits to initiate and sustain
9 projects through the difficult development
10 stages. It is ready to provide the
11 construction and permanent financing to
12 projects that meet its underwriting
13 criteria, and for projects that are outside
14 its scope -- which many of mine are due to
15 their size. JPMorgan Chase participates in
16 loan pools that serve as alternative sources

17 of financing for smaller, higher risk
18 projects.

19 In the area of homeownership
20 counseling, JPMorgan Chase has a menu of
21 affordable loan products responsive to
22 community needs and to changing community
23 needs -- whether it be more flexible but
24 responsible underwriting criteria, closing
25 cost assistance, or some other need. A

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2 former JPMorgan Chase official, along with
3 others, brainstormed the concept of the New
4 York Mortgage Coalition and led it into
5 assistance and maturity. JPMorgan Chase
6 continues as a leader in that coalition.

7 Importantly, JPMorgan Chase knows its
8 communities, continues to seek additional
9 information on its communities, challenges
10 and supports communities in their efforts to
11 respond to housing needs, and has an

12 open-door policy enabling me and others to
13 discuss issues and concerns with all levels
14 of employees. Its Streetbanker approach
15 assures that JPMorgan Chase has ears in the
16 community and easy-to-reach entrances into a
17 large institution.

18 As a twenty-year servant of the Housing
19 Action Council, I have experienced the
20 mergers of Manufacturers Hanover, Chemical,
21 Chase and JPMorgan. Each time I felt
22 concerned and nervous about what this meant
23 for my organization, my partners such as the
24 New York Mortgage Coalition and
25 community-based not-for-profits, and our

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2 community and our residents. Each time I
3 was surprised and pleased that the
4 relationship between the new institution and
5 Housing Action Council continued and grew,
6 that I was regularly informed about the
7 changes and invited into discussions on

8 those changes, and that additional resources
9 were directed to community development. I
10 expect no less with the proposed merger of
11 JPMorgan Chase and Bank One, and given
12 JPMorgan Chase's track record in my area, I
13 have reason to believe that the merger will
14 benefit the communities, the peoples, and
15 the organizations like mine. Thank you.

16 MR. PALEY: My name is James Paley. I
17 am Executive Director of New Haven Housing
18 Services in New Haven, Connecticut. I have
19 been Executive Director for 24 years. We
20 are a grassroots community-based
21 organization, which focuses on
22 homeownership, and we work hard to promote
23 homeownership and asset building for
24 low-income minority families.

25 Our neighborhood is a very interesting

3 of affluence, we have great pockets of
4 poverty. To bring the American dream to all
5 our city's residents, we do focus on
6 homeownership. JPMorgan Chase has been a
7 such partner of ours.

8 I am here to speak in favor of the
9 merger. I also sit on the Community
10 Advisory Board of JPMorgan Chase. I was
11 asked to sit in that capacity in 1996, and
12 in my participation in that board over the
13 years I have been impressed by the
14 commitment to community development
15 activities in which the bank has been
16 involved since 1986.

17 I am going to speak a little bit toward
18 attitude. If you notice, I speak without
19 prepared remarks, partially because it gives
20 me an opportunity to keep thinking about
21 other things that I want to say.

22 I want first to recognize the last
23 panel. I think that the passion that was
24 shown by the people on that panel, whether
25 they supported or opposed the merger, is a

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2 key to the bases of our society and the kind
3 of direction in which we should be going to
4 empower people who are less fortunate than
5 ourselves, all of us sitting in this room.
6 I think that that should be one of our
7 goals.

8 I have a background in community
9 organization myself. I did it in the South
10 Bronx well before I even knew about
11 Neighborhood Housing Services programs.

12 I think that the empowerment of less
13 fortunate individuals and being able to
14 prepare people with access to capital,
15 mortgages that are affordable and
16 homeownership opportunities is one of the
17 single most important actions that we can
18 take.

19 I think that we have to rely on the
20 kinds of commitments that JPMorgan Chase has
21 shown in the many projects that either
22 happen or will be described to you by the

23 various panels, and to gain an assumption
24 that that kind of trend will continue with
25 the merger.

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2 If we look at the Community
3 Reinvestment Act, it was passed in 1977.
4 Originally many banks were horrified at what
5 the implications of this legislation would
6 be. We have progressed to a point where now
7 banks compete with their "Outstanding"
8 ratings and they use that as a marketing
9 tool. What better way could we use the
10 Community Reinvestment Act for and the
11 occasions that it has, than to be able to
12 provide banks with incentives to become
13 involved in community development activity.

14 I think that JPMorgan Chase has done an
15 outstanding job. They have received
16 "Outstanding" ratings, and we have every
17 reason to believe that that will continue.

18 We know, and we fear sometimes, bank

19 mergers. In New England, we have had one
20 with Fleet, so we have already been through
21 the fear that we are going to end up losing
22 support when we rely on financial
23 contributions from many institutions, and
24 that some of that support will evaporate at
25 this merger.

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2 We know that it is important for this
3 kind of financial commitment to nonprofit
4 organizations like ours continue, and we
5 have every reason to believe that the sum
6 will either equal or exceed the sum of the
7 parts when this merger is completed.

8 I want to conclude with one statement
9 that perhaps is somewhat controversial,
10 personal beliefs, but we are living in a
11 society right now that does not show proper
12 equity to the low-income individuals. We
13 are living under a Tax Code where tax relief

14 is granted to the most affluent people in
15 this society, people whose extra tax cuts
16 would not possibly give them more money to
17 spend in the economy because they already
18 have enough money to spend in the economy,
19 and we are not stimulating growth. We have
20 a policy that does not favor low-income
21 minority families.

22 It's programs like ours, and other
23 programs that are funded by JPMorgan Chase,
24 that work in the communities to better help
25 and empower the people in the communities

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2 who are really the soul of our cities and
3 our nation.

4 I am confident that this merger will
5 share this commitment and will continue the
6 support that we have relied on for so many
7 years.

8 Thank you so much.

9 MR. WOODWARD: Good morning. Thank you

10 for allowing me to speak today. My name is
11 Arthur Woodward. I am the Executive
12 Director of Flower City Habitat for
13 Humanity, which is Rochester, New York.

14 One of the remarks that Mr. Harrison
15 made earlier concerned the issue of localism
16 of banks, a feeling of a bank being local
17 and being able to provide for the community
18 which it serves. I want to really speak to
19 that, because that is the only experience
20 that I have to bring to this table.

21 I have been with Flower City Habitat
22 for Humanity eleven years, and so have gone
23 through vicariously the various mergers of
24 Lincoln Bank and Chase Manhattan Bank, and
25 so forth, and now the proposed JPMorgan

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2 Chase with Bank One.

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What I want to say is, there seems to
be two kinds of banks. One, like JPMorgan

5 Chase, which, whether it is a gigantic world
6 Bank or not, really has a very local
7 presence and a very local presence to the
8 community. Other kinds of banks, which I
9 won't name, have a presence in Rochester
10 which is totally indifferent to the
11 community.

12 Over the years, as you may know,
13 Habitat for Humanity has been a builder of
14 homeownership homes with very-low-income
15 families, who don't take any government
16 money. So we rely tremendously on the
17 support we get from the community. Part of
18 that community is our banks. One of our
19 biggest supporters over many, many years has
20 been JPMorgan Chase and the previous names
21 of that bank.

22 What is interesting to me is, JPMorgan
23 Chase has maintained a presence in some of
24 our most desperate neighborhoods. We have
25 had a branch bank located in

1
2 Portland-Clifton, one of the really
3 distressed areas of our community, and
4 JPMorgan Chase has provided full-service
5 banking, one of the few banks that have done
6 so in our inner city.

7 I want to mention that one of the
8 philosophies of JPMorgan Chase is to provide
9 operating income to not-for-profits. We are
10 a small nonprofit of a million dollars a
11 year. We build perhaps 10 to 12 houses a
12 year. And most people want to give us money
13 to build houses, and yet we still have to
14 maintain 130 homes, mortgages that we have
15 accomplished over the years they have been
16 in existence. So the annual gift that we
17 receive from Chase is really very, very
18 helpful to us.

19 I also want to mention that the
20 partnership that we have goes beyond the
21 operating funds. It is helping us build
22 houses in some of the most difficult
23 neighborhoods in Rochester and also
24 sponsoring a house. This year their home

25 equity division sponsored a house again on

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2 Phelps Avenue.

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So I just want to commend the work of

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JPMorgan Chase and say that from my

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experience in the grassroots they are a bank

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that is very sensitive to the community and

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truly seems to want to do the best for our

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Rochester people. Thank you.

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MS. KLABEN: Good morning. I am Amy

10

Klaben and I am the President and Chief

11

Executive Officer of Columbus Housing

12

Partnership.

13

Thank you for providing this

14

opportunity for me to comment on the

15

proposed merger of JPMorgan Chase and Bank

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One Corporation.

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Columbus Housing Partnership -- CHP --

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is a nonprofit developer of affordable

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housing in Columbus, Ohio, and we provide

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services to low- to moderate-income

21 individuals and families throughout the
22 Columbus area. CHP was established in 1987
23 and has added more than 3,200 units of
24 housing to the Columbus market, and we plan
25 to add another 500 units in the next five

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2 years. These units include rental housing,
3 lease-option homes and homeownership
4 opportunities.

5 In addition, CHP is a HUD certified
6 Housing Counseling Agency, and last year we
7 served over 2000 individuals. Our clients
8 participated in eight-hour Homebuyer
9 Education workshops, budget, credit and
10 default counseling, home maintenance classes
11 and post-purchase counseling. All of these
12 programs are free and available throughout
13 the year. We provide down payment
14 assistance, forgivable loans and grants to
15 avoid foreclosure.

16 CHP continues to forge new programs and
17 partnerships to develop affordable housing,
18 economic education and healthy communities
19 for as many families as possible. Our goal
20 is to help families reach the American dream
21 of homeownership.

22 In order to properly address the needs
23 of our community, CHP has partnered with
24 numerous institutions in Columbus, including
25 Bank One. Our relationship with Bank One

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2 Corporation began at our inception. Bank
3 One has consistently provided financial
4 support to CHP's Housing Counseling
5 programs, programs that are necessary to
6 ensure that people not only become
7 homeowners but become successful homeowners.
8 This funding has been crucial to our ability
9 to serve our target population. In
10 addition, CHP's primary banking relationship
11 is with Bank One, and it holds the accounts

12 of many of our affiliated partnerships.
13 Bank One has provided construction loans to
14 many of our affiliated entities that develop
15 tax credit housing, and Bank One has
16 invested in the Ohio Capital Corporation for
17 Housing, one of the equity providers to our
18 tax credit partnerships.

19 Over the years, members of the local
20 Bank One team have volunteered their time
21 and expertise with our organization. We
22 have consistently had a representative from
23 Bank One serve on our Board of Directors,
24 and many Bank One members have volunteered
25 to participate in the housing and training

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2 classes as well as serving on our Housing
3 Counseling Advisory Board. The support,
4 technical assistance, and collaboration by
5 members of the Bank One team have made a
6 difference to our organization and, most

7 importantly, to the people whom we serve in
8 the community.

9 Throughout the years, Bank One in
10 Columbus' Vice President of Community
11 Investment has been instrumental in
12 advocating for organizations that develop
13 housing and serve the low-income community
14 of Columbus. Bank One has supported her
15 efforts and allowed her to participate in
16 many programs in our community that serve
17 the needs of this clientele.

18 Bank One has been known to be
19 innovative as well. Last September, Bank
20 One announced its plan to offer an
21 employer-assisted housing program for its
22 employees. This program, although open to
23 all employees of the bank, will serve the
24 needs of lower-income employees and allow
25 them to obtain their dream of homeownership.

3 homebuyer education to Bank One employees.

4 Bank One has always been involved in
5 our community and supportive of CHP's
6 programs. We expect that to continue after
7 a merger with JPMorgan Chase & Company. The
8 merger of Bank One with JPMorgan Chase will
9 strengthen both institutions' capacity and
10 lead to new possibilities for collaboration.
11 A larger organization resulting from the
12 merger should result in increased support
13 for housing issues and our community, thus
14 enhancing our current existing very good
15 relationship. As the leadership of Bank One
16 has been very supportive of CHP and of
17 serving the needs of residents of our
18 community, the merger would allow for that
19 leadership to grow and continue.

20 Bank One is both a financial and
21 philanthropic leader in our community, and
22 Columbus Housing Partnership is proud to
23 call Bank One Corporation a dedicated
24 partner in enhancing lives, strengthening
25 communities, and bringing people home.

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2 Together, we are making a difference in
3 Central Ohio.

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On behalf of the board and staff of
5 Columbus Housing Partnership and those we
6 serve, thank you again for this opportunity,
7 and we look forward to continuing our
8 relationship with both Bank One and JPMorgan
9 Chase after the merger.

10

MS. BETANZOS: Good morning. I am the
11 president and CEO of Wildcat Service
12 Corporation. During Wildcat Service's 32
13 years of serving the structurally unemployed
14 of New York City, JPMorgan Chase, and
15 Chemical Bank before that, have played an
16 important role in our growth and
17 development. Over the years we have served
18 more than 250,000 African-American and
19 Hispanic people in New York City who had
20 given up hopes of ever getting a steady,
21 meaningful job.

22

The idea of Wildcat was developed as a

23 concept by a group of businessmen led by
24 Norborne Berkley, Jr., then President of
25 Chemical Bank. Our mission was to train,

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2 and still is, and develop the hardest to
3 employ, so that they might take their places
4 in society as successful workers and
5 self-respecting citizens, no longer in
6 prison or welfare but contributors to our
7 society.

8 Over the years we have expanded to take
9 on welfare mothers, refugees, youth
10 dropouts, spouses who did not meet their
11 childcare payment responsibilities and
12 teenagers who had criminal convictions, or
13 who had been suspended at least twice from
14 high school. We also have run programs for
15 refugees.

16 We presently operate three
17 high-performing high schools: John V.

18 Lindsay Wildcat Charter School at 17 Battery
19 Place, John V. Lindsay Wildcat Charter
20 School II at Lafayette Street, and an SOS
21 School in the South Bronx for youngsters who
22 have brought guns and knives into the public
23 schools. We also have a New Beginnings High
24 School in Queens. We also have six high
25 schools based on the JVL model high school

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2 in Santiago, Chile, and one in Caracas,
3 Venezuela. We run employment and training
4 programs in Manhattan and the South Bronx as
5 well as a One Stop Center for the Borough of
6 the Bronx.

7 I have been President of Wildcat for
8 the past 26 years. We are funded mostly by
9 government, with some very important private
10 money that allowed us to forge ahead with
11 some new methods and concepts.

12 We have always had dedicated support
13 from JPMorgan Chase. First Mr. Berkley,

14 then later Mark Willis, one of the most
15 respected persons in the community
16 development field, as a board member, and
17 Vincent Pellitteri, another employee of
18 Chase, as a magnificent and dedicated
19 chairman. The latter two are still active
20 and valuable board members.

21 Over the years as an organization that
22 depends mostly on public sector for funding,
23 we have gone through some very tough times,
24 but officers at Chase kept us functioning by
25 giving us some very tough but necessary

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2 survival advice and lines of credit, with
3 lots of cash-flow charts to make sure that
4 we survived. Later on, we learned from them
5 how to invest and make sure that we would
6 always stay in business. Carol Perry, a
7 former Senior Vice President, will always be
8 one of our heroines. Our present

9 representative, Cathy Quarles, is always
10 available for consultation and good advice,
11 and we appreciate her help and interest.

12 I can only give hearsay testimony on
13 Bank One and the Dimons in Chicago. My
14 friends don't want them to leave and hope
15 that they will stay there, while I, contrary
16 to them, hope they will come to New York as
17 quickly as possible. Both Jamie and Judy
18 Dimon played a definitive role in Wildcat's
19 progress while they were in New York.

20 During Mr. Dimon's tenure as President
21 of Smith Barney, he learned of Wildcat's
22 efforts to establish a Private Industry
23 Program to allow special training for
24 welfare mothers, so that they might obtain
25 internships in investment companies.

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2 Incidentally, this was the first attempt at
3 sectoral training in the country. He not
4 only embraced the concept but asked his H.R.

5 people to see how it could work for many
6 entry-level positions. They hired more than
7 100 welfare moms in a year, held special
8 workshops for them, and became pioneers in
9 the National Welfare to Work movement. He
10 then called his peers and set up
11 appointments for us to see them.

12 One of our participants became the
13 poster woman for the national campaign for
14 welfare to work and spoke at the White House
15 meeting in the company of her two daughters.
16 Mr. Dimon loves to say, "This is good works
17 and good business." Our Wildcatters knew
18 that working for him and his company was the
19 best thing that could have happened to them.
20 They started at \$25,000 a year, and many of
21 them later on went to \$30,000, and they
22 received stock options instead of food
23 stamps. Consequently, there was more than a
24 95 percent retention rate.

25 To celebrate Wildcat's 25th

1
2 anniversary, Jamie and Judy chaired our
3 luncheon -- incidentally, held at Chase.
4 Because of their guidance and dedication,
5 which even involved making calls to invitees
6 while they were on vacation, it was a great
7 success. Judy guided us, as no one at
8 Wildcat had any experience with the pitfalls
9 of a banquet or anything like that.

10 The merging of these two wonderful
11 organizations, superior staff, and wonderful
12 histories, in both community service and
13 development equipment, is one that they
14 should be very proud of, and I am indeed
15 honored to be here today to testify in their
16 favor.

17 REV. KEATON: Good morning. My name is
18 Rev. Clarence Keaton, and I thank the
19 Federal Reserve for this opportunity to
20 share with you my experience with Chase.

21 I am the pastor and founder of True
22 Worship Church Ministries. We have been in
23 the community of East New York, Brooklyn,
24 for more than 19 years. We have been

25 serving the spiritual needs of our community

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2 during these years. We provide career
3 development, children's and youth programs,
4 dance ministry, drama and musical
5 enhancement.

6 Because of Chase, we were able to
7 expand our church, which enabled us to
8 expand our service to the community.

9 Also, because of Chase, we are now
10 prepared to meet the day care needs in our
11 community through a faith-based lending
12 program.

13 Before forming a partnership or
14 relationship with Chase, we experienced
15 tremendous difficulty obtaining a loan for
16 our project, which left us vulnerable to
17 predatory lending. But through Chase's fair
18 banking practices, we were given an
19 opportunity, and we also were able to obtain

20 the expertise and experience from Chase
21 through their instruction.

22 Now when I drive up to my new house of
23 worship and observe how it has beautified
24 our community and raised even the fair
25 market value of all our neighbors' homes by

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2 having a day care center and church
3 conveniently located, I thank God for the
4 help and relationship that has been formed
5 through the services of Chase.

6 I wholeheartedly support the merger
7 between Chase and Bank One for all the good
8 that it can do in communities worldwide.
9 Thank you.

10 MS. BRAUNSTEIN: Thank you very much.

11 Will the next panel please come
12 forward.

13 Once again, I would like to remind the
14 next panel to give your name and
15 organization. And I would like to remind

16 you to keep an eye on the timekeepers,
17 because we need to stick to the schedule.

18 If you have a written statement, please
19 provide a copy to the gentleman in the
20 center, the court reporter.

21 With that, we will begin.

22 MS. LUDWIG: Hello. Thank you for holding this
23 public meeting and for the opportunity to testify about
24 this hugely significant merger proposed between
25 JPMorgan Chase and Bank One. My name is

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2 Sarah Ludwig and I am the Director of the
3 Neighborhood Economic Development Advocacy
4 Project, known as NEDAP. NEDAP is
5 a resource center that works with groups
6 throughout New York City. We provide legal,
7 technical and policy support to community
8 groups that are organizing for economic justice
9 in low-income communities and communities
10 of color. We also bring groups together to work
11 in coalition on community reinvestment and
financial justice matters, and convene,
for example, New Yorkers for Responsible

12 Lending, which is a statewide coalition of
13 more than a hundred members including
14 community financial institutions,
15 community-based organizations, affordable
housing and first-time homebuyer groups,
advocates for seniors, community reinvestment and
16 and fair lending advocates and consumer groups.
18 With respect to the proposed Chase-Bank
19 One merger, NEDAP is working with eight other
groups from around New York State. We have submitted
detailed comments jointly with the eight other groups and
20 we will be submitting supplemental comments
21 by the end of next week as well. We have
22 also met with the representatives of Chase
23 to discuss our concerns and to press them
24 for a written commitment to a set of
25 principles, best practices and community

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2 reinvestment goals for New York. I am
3 going to limit my testimony to four quick
4 points:

5 First, it is our group's view that the
6 Federal Reserve should not approve the
7 merger without imposing a series of specific

and monitorable conditions on Chase to ensure that the merged bank meets the convenience and needs of all communities. We have had
10 some discussion with Chase about making this
11 series of measurable commitments in New York,
12 in writing, and will continue to press you,
13 as the Federal Reserve, to set conditions
14 which we will specify in our supplemental
15 comments.

16 The second point. You have heard the
17 range of serious concerns about Chase's
18 involvement in predatory lending practices
19 and the need for assurances that it will
20 not originate, purchase or securitize
21 abusive loans. We urge the Federal
22 Reserve to press Chase very hard on this
23 issues, and we look forward to Chase's
24 committing to meaningful reforms and
25 demonstrating leadership at the national and

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local levels in this area.

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But today I would like to address

4 another area in which Chase contributes to
5 predatory lending, and that is through what we
6 regard as inadequate conventional mortgage
7 lending in predominantly lower income and
nonwhite areas.

8 As this map shows -- I brought it in
9 transparency form, but I see the technology
10 is not here, I should have asked first -- we
11 have documented Chase's home purchase
12 lending and have found what we see as a
13 shockingly low market share of home purchase
loans in New York City's predominantly nonwhite census tract
including
14 lower income areas. As one of the city's,
15 not to mention the country's, not to mention
16 the world's, largest banks, we feel that by
17 failing to meet community mortgage lending
18 needs equitably, that Chase, albeit with
19 many of its peers, helps to perpetuate
20 conditions that lead to overwhelmingly
21 concentrated subprime lending in historically
redlined
22 neighborhoods. So, as entire communities
23 are cut off from access to fair and affordable
24 lending, lower income people in New York and

25 cities across the country are relegated to a

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2 higher cost, and too often predatory, system of
mortgage credit. We will submit
3 this with our testimony today.

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Today is Tax Day, as we know, so I
would like to address our group's concerns
about Chase's entry into the tax refund
anticipation lending business. Bank One, as
I am sure you know, is a leading tax refund
anticipation lender.
Tax refund anticipation loans, also known as
RALS, simply put, are junk products that
gouge working people and sap wealth from low
income neighborhoods, as taxpayers take out
usurious short term loans, securitized by their
tax refund. We encourage the Federal Reserve to
investigate Bank One's RALs product and press
Chase, as we are doing, to eliminate
RALS, which, among other things, would
violate New York's usury law.

Finally, groups are very concerned
about chartering issues and the prospect

17 that Chase will relinquish its state charter
18 and opt for a national one, particularly in light of
19 the recently rendered ruling by the OCC
20 regarding preemption of state consumer
21 protection laws. We would like to pass
22 along our concerns, although we understand
there are jurisdictional impediments for the Fed
in that regard.

25 For the past decade we have witnessed,

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2 and many of us have commented upon, the
3 tremendous mergers and consolidations that
4 we have seen in the financial services
5 industry. NEDAP believe that this
6 consolidation presents dangers to our
7 country's economic health and erodes the
8 accountability of financial institutions to
9 communities and consumers. It would be very
10 easy to see this merger as just one more in
11 a long line of bank mergers, and in some
12 sense it is, but it would be too easy, we
13 think, to lose sight of the implications of
14 this merger not only for many financial
15 consumers but for the economy as a whole.

16 We hope that the Federal Reserve will
17 surprise us with this merger. Some of us
18 have become cynical about the integrity of
19 the public process and the regulatory
20 accountability issues that have come up around
21 mergers, and we would welcome being surprised
22 by the Federal Reserve by placing the
23 public interest above corporate
24 interests, and that arguments by financial
25 institutions such as by Chase that in order

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2 to maintain a competitive advantage they
3 must continue business as usual, even if
4 that means continuing to harm communities
5 and consumers, are not good enough.

6 Thank you for your consideration. I am
7 happy to answer any questions you may have.

8 MS. KEEFE: Hi. Thank you for having
9 this hearing today. My name is Kirsten
10 Keefe. I am a consumer lawyer with the
11 Greater Upstate Law Project, located in
12 Albany.

13 If approved, this merger will make

14 JPMorgan Chase the second largest bank in
15 the United States. Chase is already looked
16 to in the banking and lending industry as a
17 model, a symbol to smaller financial
18 institutions of how to conduct business.
19 With this merger, and the status it will
20 bring to Chase, Chase has responsibility to
21 conduct its business on the highest moral
22 level. Chase has a duty to not just look
23 around at other banks and settle for what is
24 considered to be the "industry standard."
25 Chase has an obligation to raise the bar for

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2 what constitutes good banking practices and
3 responsible lending.

4 JPMorgan Chase's application to acquire
5 Bank One should be denied unless Chase
6 displays that they have sincerely stopped
7 the securitization and origination of
8 predatory loans.

9 Chase's commitments to curbing its

10 involvement, both in the origination as well
11 as the securitization of predatory loans,
12 have been minimal. Currently, Chase's due
13 diligence includes not making or investing
14 in loans covered by the Home Ownership and
15 Equity Protection Act, called HOEPA, or
16 loans defined as "high cost" by state
17 predatory lending laws. Chase won't sell
18 credit life insurance, it claims not to
19 include mandatory arbitration agreements, it
20 limits prepayment penalties and it won't
21 make loans with over 100 percent
22 loan-to-value ratios. Most of these
23 standards, fortunately, have become industry
24 standards. , As the second biggest bank, it
25 is imperative that Chase do better.

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If Chase is sincere in its commitment
not to deal in predatory lending, Chase must
expand its definition of predatory lending.

5 Chase should not engage in lending of loans
6 which (1) have high points and fees,
7 regardless of whether they meet the high
8 HOEPA threshold, (2) have adjustable
9 interest rates when made to individuals on
10 fixed incomes, (3) have high debt-to-income
11 ratios, especially when made to lower-income
12 folks, and (4) leave the homeowner with
13 substandard residual interest after taking
14 into account the mortgage, tax and insurance
15 payments.

16 Furthermore, with such a huge market
17 share, Chase must develop a responsible
18 subprime product. Homeowners with
19 below-perfect credit must be able to get
20 loans directly through Chase loan officers,
21 rather than be pushed off to subprime
22 products peddled by brokers. It is well
23 established that broker-driven models for
24 subprime lending lead to great abuses.
25 Unscrupulous Brokers target vulnerable

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2 homeowners. Brokers, who make their living
3 on a percentage of the loan amount, steer
4 borrowers into loans based on the amount of
5 equity in their home, not on the amount they
6 requested. It becomes virtually impossible
7 for a homeowner to get a loan for minimal
8 home improvements as needed.

9 Furthermore, Chase admits engaging in
10 the practice of paying its brokers yield
11 spread premiums -- commissions purely based
12 on the amount of interest brokers can
13 upcharge borrowers. Few people on the
14 street understand what a yield spread
15 premium is, and yet Chase compensates its
16 brokers for essentially deceiving homeowners
17 into taking out loans at higher interest
18 rates than their credit scores warrant.
19 Yield spread premiums Should be abolished in
20 subprime lending, where vulnerable
21 homeowners are already subjected to costlier
22 loans. Chase's response is that they cannot
23 compete for the business of brokers, their
24 true clients, if they don't pay YSP's. This

25 immoral practice will not stop, however,

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2 unless an industry leader, like Chase, takes
3 the high road and stops charging borrowers
4 higher interest rates just because they can
5 get away with it.

6 Chase must offer homeowners with
7 below-perfect credit a range of responsible
8 loan products.

9 Chase's application to acquire Bank One
10 should be denied unless Chase cleans up its
11 mortgage servicing business.

12 Chase's mortgage servicing industry is
13 huge. Not only does it service loans
14 originated by its own companies; Chase
15 continually acquires the servicing rights to
16 FHA, conventional and subprime loans. Chase
17 is doing a poor job servicing its loans.

18 Chase is failing in providing the loss
19 mitigation remedies to low-income

20 homeowners, as mandated by our government,
21 who reached the dream of homeownership
22 through the FHA program. Chase fails to
23 successfully work with FHA homeowners to
24 find win-win solutions to allow these
25 lower-income families to maintain the

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2 stability they worked so hard to achieve.
3 Instead, Chase follows the industry
4 standard; if a homeowner doesn't fit into a
5 box formula under their loss mitigation
6 program, the homeowner loses their home.
7 There is no room for a gray area, or
8 creative solutions, in Chase's loss
9 mitigation department.

10 Many loans serviced by Chase services
11 are owned by Freddie Mac or by trusts on
12 Wall Street. Chase hides behind the loss
13 mitigation criteria "imposed" on them by
14 these investors.

15 Chase is an industry leader. Chase is

16 a huge bank. Chase has power to influence
17 the decision-makers. Chase should talk back
18 to the investors, inform them of the
19 realities of the borrowers whose mortgages
20 they service and push for better standards
21 which will enable working families who hit
22 some financial problems to stay in their
23 homes.

24 A poor economy and high unemployment
25 rate, mixed with rampant lending abuses over

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2 the past five years, have led to a record
3 high foreclosure rate in the United States
4 today. The loss of homes by families to
5 foreclosure has reached an epidemic level.
6 It is painfully apparent that the loss
7 mitigation standards and processes, designed
8 in a time of economic boom, are not working
9 in today's economy. Chase, as a major
10 servicer of mortgage loans, must take the

11 lead and create better default resolution
12 remedies. If it is truly not the intent of
13 Chase and its investors to foreclose on
14 people's homes, as Chase has stated, then
15 Chase must examine the economic realities of
16 today and do better for the homeowners of
17 this country.

18 Thank you very much.

19 MS. ANDRE: Thank you. Good morning.
20 Thank you for this opportunity to testify
21 today. My name is Astrid Andre, and I am
22 testifying on behalf of the Association for
23 Neighborhood & Housing Development, a
24 30-year-old nonprofit coalition of 102 New
25 York City neighborhood-based housing groups.

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2 Collectively and individually, ANHD members
3 are very familiar with JPMorgan Chase's
4 community development programs and how they
5 compare with those of other New York City
6 financial institutions.

7 Our comments today are based on our
8 direct experiences with JPMorgan Chase for
9 the past three years, on meetings and
10 discussions we have had with JPMorgan Chase
11 staff and leadership during that period, and
12 on comments and information we solicited
13 from our membership regarding their
14 perceptions of Chase's community development
15 and CRA strengths and weaknesses.

16 As a result of mergers with several New
17 York City retail banks over the past fifteen
18 years, JPMorgan Chase currently has over 200
19 branches in the five boroughs and is far and
20 away New York City's largest retail bank.
21 However, since the last merger, the
22 acquisition by Chase of JPMorgan, we have
23 seen a retrenchment from this role, and
24 JPMorgan Chase has become a less visible
25 presence on a neighborhood level. We are

2 concerned that the pending merger, and the
3 relocation of the bank's retail financial
4 services headquarters to Chicago, will
5 exacerbate this disturbing trend, to the
6 great detriment of New York City's
7 neighborhoods.

8 Even though JPMorgan Chase is a
9 national institution, it is still New York
10 City's largest neighborhood banking network.
11 Traditionally, Chase had been considered the
12 premier community development lender and
13 investor in our neighborhood. Today, this
14 is no longer the case. All of the other
15 major financial institutions allocate a far
16 greater percentage of their philanthropic
17 budget to affordable housing and
18 neighborhood revitalization than does Chase.
19 While Chase is still in many ways a strong
20 and committed partner in community
21 development, it has surrendered the
22 leadership role it once held and which is
23 expected of it as the city's largest bank.

24 We hope that, as part of this merger,
25 and as the bank reorganizes yet again, it

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2 can recommit to New York City, and
3 especially to the city's low-income
4 neighborhoods.

5 We have brief core concerns and issues.

6 1. JPMorgan Chase's organizational
7 structure, through recent reorganizations,
8 limits its ability to establish effective
9 partnerships on a neighborhood level.

10 2, JPMorgan Chase's community
11 development programs have become less
12 responsive in recent years to priorities and
13 needs of New York City's low-income
14 neighborhoods. While Chase remains a
15 leading community development leader in New
16 York City and a generous supporter of a
17 range of charitable initiatives, it seems as
18 if Chase has been shifting its efforts away
19 from community-based groups in favor of
20 larger institutions and intermediaries. A
21 number of ANHD's CDC members, those who

22 develop affordable housing, have found that
23 it has become more difficult to obtain
24 community development loans from the bank.

25 3. JPMorgan Chase did not fully honor

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2 certain commitments it made to community
3 groups around its last merger. In 2000, at
4 the time of its merger with JPMorgan, Chase
5 made several, we thought, good-faith
6 commitments regarding organizational
7 structure, amongst other things.
8 Unfortunately, Chase has not met those
9 promises. We fear the same will occur with
10 this pending merger.

11 ANHD urges the Federal Reserve Board to
12 condition approval of the JPMorgan
13 Chase/Bank One merger upon specific
14 commitments by JPMorgan Chase to
15 substantially strengthen its community
16 development/CRA programs and initiatives in
17 New York City. In particular, we recommend

18 the following:

19 We urge as a condition of this merger
20 that JPMorgan Chase/Bank One develop
21 detailed, specific CRA plans for each of its
22 major markets, including New York City. As
23 we discussed in our comments we submitted,
24 we do not believe that JPMorgan Chase
25 honored all of the promises it made during

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2 previous mergers. To avoid this occurring
3 again, we recommend the bank adopt for New
4 York City a formal, written CRA plan with
5 clear lending and investment targets, time
6 lines and outcomes, by which Chase, its
7 regulators and the public can monitor and
8 evaluate the bank's performance.

9 We further recommend that JPMorgan
10 Chase establish a community development
11 structure which effectively supports New
12 York needs and priorities. For New York

13 City, we recommend that Chase reestablish a
14 centralized community development group
15 within which is housed community development
16 lending, philanthropy and affordable
17 mortgages. Staffing needs to be expanded so
18 that Chase may begin to reestablish
19 relationships and partnerships with
20 communities and community groups to carry
21 out successful neighborhood-centered
22 community development programs in our
23 low-income communities.

24 We recommend that Chase strengthen its
25 capacity to undertake direct lending to

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2 community-based organizations, particularly
3 in the area of affordable housing. We
4 recommend that Chase establish, as a target,
5 making at least half of its community
6 development loans to community-based
7 organizations.

8 We recommend, again, that at least 50

9 percent of Chase's CRA-related grants be
10 awarded directly to neighborhood-based
11 organizations. We also recommend that Chase
12 better focus its grant-making on community
13 priorities. Like its peers, the bank should
14 allocate at least 50 percent of its CRA
15 grant budget to affordable housing.
16 Finally, Chase should increase its overall
17 grant budget. In keeping with its planned
18 growth, Chase should increase its CRA
19 eligible philanthropy in New York City by 40
20 percent, the amount Bank of America
21 committed to in its recent merger.

22 The question of affordable mortgage
23 programs is an area of tremendous concern to
24 ANHD. With the recent dismantling of the
25 affordable mortgage division, it is not

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clear to us that Chase will be able to
maintain the strong partnerships it has with

4 housing counseling organizations in New York
5 City's low-income neighborhoods. We are
6 equally concerned that Chase will not be
7 able to turn around its rising foreclosure
8 rates without a strong local foreclosure
9 prevention program. We recommend that Chase
10 reestablish its affordable mortgage division
11 and work with community partners to
12 strengthen and expand its homeownership
13 programs and foreclosure prevention efforts.

14 Better monitoring Chase commitments.
15 We would strongly urge the Federal Reserve
16 to insist on --

17 MS. BRAUNSTEIN: Excuse me, can you
18 wrap up, please?

19 MS. ANDRE: Yes. -- a transparent
20 monitoring and reporting process for any
21 commitments Chase may make in the course of
22 this merger.

23 As we have tried to communicate
24 throughout this comment -- I am wrapping
25 up -- Chase had traditionally been the

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2 leader in community development among New
3 York City financial institutions. The bank
4 could once again become the leader in
5 community development that it once was.

6 Thank you.

7

MS. DE LA UZ: My name is Michelle de
8 la Uz, and I am the Executive Director of
9 the Fifth Avenue Committee, which is a
10 low-income community in South Brooklyn. I
11 appreciate the opportunity the Federal
12 Reserve Board members have given to comment
13 on the merger. The Fifth Avenue committee
14 is an organization that is dedicated to
15 social and economic justice to South
16 Brooklyn, just over the bridge, and we do
17 that principally through developing and
18 managing affordable housing, creating
19 economic opportunities, and organizing
20 residents and workers around the critical
21 issues facing our community. The work that
22 we do assists low-income individuals so
23 families can still live and work with

24 dignity, and we do that by really working
25 with a number of partners to have access to

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2 opportunities and, most importantly, to
3 capital.

4 I am testifying neither in favor of nor
5 in opposition to the proposed merger.

6 Rather, I want to urge the Federal Reserve
7 Board to consider the significant impact the
8 merger would have on community-based
9 development in New York City, and to work
10 with the applicant to assure that, if
11 approved, the new organization becomes the
12 leader among banks in supporting
13 immigrant-based attempts to creating
14 affordable housing, creating jobs and
15 improving financial services for low- and
16 moderate income families.

17 JPMorgan Chase has been a valuable
18 partner to the Fifth Avenue Committee and
19 economic opportunity in South Brooklyn. We

20 have received annual generous operating
21 grants since the JPMorgan/Chase Manhattan
22 merger and have received a substantial grant
23 to our capital campaign just established in
24 South Brooklyn, a community development
25 program that will house a new office and

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2 help us expand our programs.

3 While we appreciate the support that we
4 have received from JPMorgan Chase, we are
5 deeply concerned by the overall trend of
6 shipping rent support away from those
7 working in a low- to moderate-income
8 neighborhood to large areas and regional and
9 national organizations.

10 We are also concerned about JPMorgan
11 Chase's more recent record of
12 unresponsiveness in providing funds to
13 nonprofits for affordable housing
14 development. This is in sharp contrast to

15 the previous record of JPMorgan in community
16 development, real estate loans and as a
17 leading partner in increasing homeownership
18 opportunities for the underserved community.

19 It has become clear, especially after
20 the most recent merger, that the bank has
21 restructured its programs and products to
22 match its more national focus. This
23 restructure has been to the detriment of
24 community-based groups that build affordable
25 housing.

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2 The Fifth Avenue Committee has
3 developed \$75 million in housing development
4 projects and has projects of \$50 million
5 currently in development or redevelopment.
6 None of this financing was received from
7 JPMorgan Chase. In contrast, Citibank,
8 Roslyn and Astoria Federal Savings Bank have
9 all financed our housing development
10 projects.

11 We believe one of the major reasons we
12 and other New York City community
13 development corporations have been unable
14 often to obtain affordable housing loans
15 from JPMorgan Chase is their failure to
16 coordinate their community development
17 projects, nonprofit development and mortgage
18 lending within a single group.

19 Should it be approved, the merger
20 between JPMorgan Chase and Bank One would
21 have a major impact on development in New
22 York City. The new bank could continue to
23 shift its focus away from underserved
24 communities or it could use the merger as an
25 opportunity to reestablish itself as a

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2 leader among banks in supporting
3 neighborhood housing development.

4 We hope the grant support we received
5 from Chase will not be an exception in the

6 bank's CRA investment in New York City which
7 is tied to community priorities. We hope
8 that Chase will make a formal commitment
9 during this merger to honor CRA
10 responsibilities and our community-based
11 organizations in low- and moderate-income
12 neighborhoods throughout the city. We
13 believe a formal commitment is necessary
14 because after the most recent merger several
15 promises were made specific to maintaining a
16 centralized community development program,
17 which were not kept, which have contributed
18 to a diminished lending presence and
19 diminished lending for affordable housing.

20 In particular, we urge the Federal
21 Reserve to consider, as a condition of
22 approval, Chase's willingness to direct a
23 greater percentage of its CRA to
24 community-based organizations, strengthen
25 its capacity for direct lending, reestablish

2 a development group that coordinates lending
3 grants and affordable mortgages, and adopts
4 a formidable New York City plan to New York,
5 as part of its merger agreement, which has
6 clear outcomes. They will do that working
7 with local groups. By committing its
8 lending resources to the city's
9 not-for-profit, community-based housing
10 developers, the new bank will play a major
11 royal in solving New York City's affordable
12 housing crisis. We hope it will live up to
13 both.

14 MS. BRAUNSTEIN: Thank you.

15 MS. Van KERKHOVE: Good afternoon. My
16 name is Barbara van Kerkhove, and I'm from
17 the Public Interest Law Office of Rochester,
18 in Rochester, New York. Along with Ruhi
19 Maker, I head the Rochester Coalition.

20 With over \$3 billion in deposits, Chase
21 is the second largest bank in the Rochester
22 MSA. The size of the post-merger bank has
23 many members of the Greater Rochester
24 Community Reinvestment Coalition concerned
25 about the impact that post-merger changes

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2 will have on our community, particularly the
3 level of lending and investment in
4 traditionally underserved communities.

5 The main points I would like to make
6 this afternoon are that:

7 First, as mentioned by many others, we
8 are happy about today's announcement by
9 JPMorgan Chase of their \$800 billion
10 commitment. But, however, until Chase and
11 Bank One make specific CRA commitments in
12 New York State, broken down by local
13 markets, we are protesting the merger.

14 Another point we would like to make is
15 that Chase must increase its consistency in
16 the proportion of its origination going to
17 underserved communities.

18 Next, JPMorgan Chase/Bank One must
19 retain local expertise in its Community
20 Development Group, particularly with respect
21 to residential mortgage lending in

22 low-moderate income communities.

23 Fourth, despite the fact that Chase
24 Manhattan Mortgage Corporation is now
25 regulated by OTS, which has preempted many

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2 state anti-predatory lending laws, including
3 New York's, and that Chase has stated that
4 it will abide by New York's law with respect
5 to originations, Chase must do due diligence
6 to make sure that any loans purchased do not
7 violate state anti-predatory lending laws.

8 Finally, Chase must provide more
9 information on its subprime lending
10 activities by all of its affiliates,
11 particularly Chase Manhattan Bank USA NA.
12 Until Chase does so, GRCRC will continue,
13 like HUD, to label Chase Manhattan Bank a
14 subprime lender.

15 I would like to expand on one of the
16 points. But first I would like to thank

17 Chase for providing us with their 2003 home
18 purchase data. We were able to analyze that
19 for the Rochester MSA. We notice that
20 between 2002 and 2003, Chase substantially
21 decreased its home purchase and refinance
22 lending penetration in the city of Rochester
23 to low-moderate income households and
24 neighborhoods, and to minority households
25 and neighborhoods, while increasing lending

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2 in the Rochester MSA. This is after
3 substantially increasing the percentage of
4 its loans going to these underserved
5 communities between 2001 and 2002.

6 So they got us thinking, and we went to
7 further examine their originations during
8 their last few CRA exam periods. We found
9 that the percentage of Chase's loans going
10 to underserved communities would increase
11 significantly between the first and second
12 year being examined, and then it would level

13 off or decrease the year after the exam.
14 This suggests that Chase loan officers may
15 be under pressure to substantially improve
16 lending to low-moderate communities during
17 CRA exam years.

18 I attach a graph illustrating that. We
19 took the total lending in the MSA from '94
20 to 2003, and I marked where the second year
21 was of this CRA exam, and you can notice
22 that there is a high point in the percentage
23 of lending in the low-moderate income
24 household and communities, which are the
25 pink and yellow lines, there in the second

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2 year of the exam.

3 What the coalition would like to see is
4 good penetration in these communities, but
5 we want to see also consistent penetration,
6 not these fluctuations. So when lending in
7 MSA goes up, we would like the lending in

8 these communities to go up by a similar rate
9 and that will keep it consistent.

10 I made further points on my other main
11 points in my written comments, and the
12 coalition will be submitting supplemental
13 comments by April 23. Thank you.

14 MS. BRAUNSTEIN: Thank you.

15 REV. PARKER: Good afternoon. I am
16 Father Frank Parker of Boston College. I am
17 here representing and speaking for the
18 Jesuit Conference. The Jesuit Conference
19 represents 3,300 Catholic priests of the
20 Jesuit Order in the United States. We have
21 28 affiliated colleges and universities,
22 including Fordham, St. Peter's, and
23 Fairfield in this area. We also have
24 schools and parishes and other apostols.

25 I am a professor of real estate at

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2 Boston College, have been for 35 years, was

3 Editor of the Journal of RDC Real Estate in

4 Vermont in the early '90s.

5 Before starting, I would like to
6 associate myself totally with the comments
7 of my colleagues here on this panel, both
8 for myself and the Jesuit Council. I
9 believe they have all made very cogent
10 points. Sometimes it is hard to think that
11 different panels have the same planning, but
12 that seems to be happening.

13 In January of this year, I wrote the
14 Federal Reserve about the Bank of America
15 "takeover" -- the word version of my
16 question in both cases, that case and
17 today's -- the "takeover" of Fleet Bank. I
18 observed at the time that throughout our
19 nation's financial history there has been a
20 largely unwritten but deeply understood
21 fundamental principle that banks were
22 quasi-public service entities. For the
23 privilege of making money by administering
24 and investing the money of the average
25 citizen, the banks were charged with the

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2 quasi-fiduciary duty to act prudently in the
3 best interest of the depositors and, to a
4 lesser extent, of the shareholders of the
5 entity involved. Not only with banks but
6 also throughout law firms, accounting
7 offices and corporate board rooms in the
8 United States during the last 20 years or
9 so, fiduciary responsibilities have taken a
10 back seat to service provider greed.

11 Looking in the three months since that
12 merger, or "takeover," by the Bank of
13 America, the old NationsBank people, we see
14 not much action on the part of the Federal
15 Reserve. Although these two banks agreed to
16 pay \$75 million in penalties for actions
17 that they had taken, there was no comment
18 made on that.

19 The first action after April 1 by Bank
20 of America in Boston was to close down Fleet
21 Development. I would like to quote from
22 Stephen Bailey, a columnist in the Boston
23 Globe: "Over seven years, Fleet Development

24 invested over \$1 billion into businesses led
25 by women and minorities and 25 funds that

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2 target these markets. That money, in turn,
3 leveraged another \$200 million to \$300
4 million for these businesses. Fleet's
5 return was in the 20 to 25 percent range,
6 and this on the first day it was closed down
7 by Bank of America, despite their \$75
8 million promises and everything else."

9 We have similar concerns when we look
10 at JPMorgan Chase and Bank One. We have a
11 concern that so many jobs of medium- and
12 low-income people will be taken out of New
13 York City and moved to Chicago. This seems
14 in total contradiction to promises made to
15 support New York City after 9/11.

16 We also note the plea of complicity by
17 Chase in the Enron failure and its active
18 participation in that. We know that the

19 civil suits are not settled, they have not
20 come out yet, and the money undoubtedly that
21 will have to be paid will come, we think,
22 from many of the programs that we are
23 talking about here today.

24 We also note with some concern Bank
25 One's moving more and more in the credit

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2 card field to charge high rates of interest
3 to people who are using credit cards, and
4 both banks we are concerned about as to
5 predatory lending, as was mentioned by my
6 colleagues.

7 The Jesuit Conference recommends that
8 the Federal Reserve Board not approve the
9 merger until Chase has provided meaningful
10 and verifiable CRA plans about how it will
11 improve its CRA and fair lending performance
12 and pledge substantial reforms and
13 safeguards for purchases of subprime loans.

14 We believe that Chase should be

15 required to make these plans for states as a
16 whole and for their rural and metropolitan
17 areas and include specific loan investment
18 and branching targets.

19 We also encourage the Federal Reserve
20 to have this new entity participate fully in
21 the Small Business Administration 501 loan
22 programs and 7A loan programs; also, to
23 supervise the credit card fee question, and
24 finally bring a halt to predatory lending.
25 Thank you.

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2 MS. BRAUNSTEIN: Thank you very much,
3 and thanks to the panel. Will the next
4 panel please come forward.

5 We would like to move forward with this
6 next panel. I just remind everybody to
7 state your name and organization before you
8 start your statement and to keep an eye on
9 the timekeepers. We really need to keep

10 everybody to five minutes and no more. If
11 you have written statements, please submit
12 them to the gentleman in the center who is
13 our recorder.

14 MR. HARDY: Members of the panel, my
15 name is Clifford Hardy. I am the President
16 of First Housing, based in Tampa, Florida.

17 I appreciate the opportunity to appear
18 before you today to support the
19 JPMorgan/Bank One merger.

20 First Housing, incorporated in 1978, is
21 a quasi-public corporation. Its primary
22 purpose is to provide financing for
23 affordable housing in the State of Florida.
24 The corporation's stock is owned by 18
25 financial institutions, including JPMorgan

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2 Chase. In addition to a Board of Directors
3 representing the stockholders, there is an
4 advisory board representing the State of
5 Florida, including the Secretary of the

6 Department of Community Affairs, the head of
7 the Department of Financial Services or a
8 designee with banking expertise, and a
9 designee with expertise in insurance
10 matters, a representative from the House and
11 one from the Senate.

12 First Housing is also a regulated
13 financial institution under the supervision
14 of the Office of Financial Regulation of the
15 Financial Services Commission, Florida.

16 Since its inception, First Housing's
17 activities have been focused on financing
18 rental communities serving low- and
19 moderate-income families and individuals.
20 That financing has been provided primarily
21 by way of lending pools in which First
22 Housing's stockholders participate. First
23 Housing also provides financing using the
24 FHA programs and loan administration
25 services to issuers of housing bonds, the

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2 Florida Housing Finance Corporation, the
3 Federal Home Loan Bank of Atlanta, and the
4 Department of Housing and Urban Development.

5 JPMorgan Chase is a stockholder of
6 First Housing and a participant in the
7 present lending pool. It became a
8 stockholder in 1993, as Chase Manhattan in
9 the same year became a participant in the
10 lending program. It is represented on the
11 Board of Directors, the Loan Committee and
12 the Administrative Committee.

13 Although the bank has had a limited
14 presence in Florida, it has been supportive
15 of First Housing's efforts in the state.
16 The thirty rental communities financed by
17 the lending pool in which JPMorgan Chase has
18 participated are scattered throughout the
19 state, providing 5,507 units for people
20 earning 60 percent of median income or
21 below.

22 Thank you very much.

23 MR. JENKINS: My name is Chris Jenkins
24 and I am Vice President for Business
25 Development and Planning at the Nonprofit

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2 Finance Fund -- NFF.

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The NFF is an experienced CDFI that operates nationally. It has \$50 million in assets and seven offices serving the San Francisco Bay Area, New England, Philadelphia, New Jersey, Detroit and Washington, D.C., as well as New York. NFF supports its nonprofit clients' multifaceted contributions to low- and moderate-income communities, advances community and economic development goals, and works to fill the overall need for capitalization of organizations in this sector. We have financed approximately \$258 million in projects with \$80 million in loans, mostly in the New York area.

As most of us are aware, small- and medium-sized nonprofit organizations, especially those serving low- and

21 moderate-income communities, have a
22 difficult time accessing capital in general.
23 They are frequently engaged in low- or
24 no-margin businesses, thus lack retained
25 earnings to fund their growth needs. They

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2 lack the ability to raise equity since
3 individual ownership is prohibited.

4 NFF works in a variety of ways to
5 improve their access to capital. One of its
6 main strategies in doing so is to partner
7 with banks -- as direct lenders to
8 nonprofits, as investors in NFF's loan
9 program, and as partners in innovation,
10 creating new products and services to
11 address the needs of this market.

12 NFF has a long history of bank
13 partnerships. Ten banks are direct
14 investors in NFF's loan fund; some take part
15 in other ways. With a few, we have
16 relationships that include a complex mix:

17 Volunteer involvement, financial and
18 business advice, product development,
19 participation in deals and referrals -- in
20 addition to investment and grant support.
21 JPMorgan Chase has been such a partner,
22 working with us to strengthen the nature and
23 volume of financial and advisory services
24 that we can provide to the nonprofit sector.
25 As NFF has expanded nationally, our

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2 relationship with JPMorgan Chase has
3 expanded geographically as well.
4 JPMorgan Chase has been a particularly
5 valuable part of innovation in our sector
6 because of the quality as well as the size
7 of their investment. Over the years,
8 JPMorgan Chase has invested over \$5 million
9 in NFF's programs and services and much more
10 in direct loans, loan guarantees, led
11 syndicates, lines of credit and shared

12 transactions.

13 We have found that JPMorgan Chase is
14 willing to take the long view. It looks at
15 the long-term growth needs of borrowers,
16 including CDFIs such as NFF, is curious
17 about and engaged in the community
18 development market, and understands the
19 broad needs of the market we together are
20 trying to serve, including management
21 development, nondebt financing and ongoing
22 financial advice, as well as capital.

23 Based on our direct experience with
24 JPMorgan Chase over more than twenty years,
25 I have no reason to believe that the

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2 proposed acquisition of Bank One would
3 impair JPMorgan Chase's commitment to
4 community investment.

5 MS. BRAUNSTEIN: Thank you.

6 MR. HASTICK: Thank you very much.

7 Ladies and gentlemen, Commissioners:

8 On behalf of the Board of Directors of
9 the Caribbean American Chamber of Commerce
10 and Industry, I am pleased to support the
11 merger of our partner, JPMorgan Chase &
12 Company with Bank One Corporation.

13 The Caribbean American Chamber of
14 Commerce -- I will call it CACCI -- founded
15 in August 1985, is a statewide membership
16 organization, which has developed expertise
17 in providing assistance to small and
18 start-up business owners, in areas of
19 business planning, financing, procurement,
20 certification, expansion, and export/import
21 opportunities.

22 The Caribbean American Chamber of
23 Commerce's first bank was Manufacturers
24 Hanover Trust Company, later Chemical, then
25 Chase, then JPMorgan Chase. The Caribbean

3 has remained with each of these banking
4 entities, and the bank's support and
5 involvement with the Caribbean American
6 Chamber of Commerce and Industry has been
7 consistent and reliable.

8 The scope of services includes monthly
9 business development seminars, business
10 networking meetings, procurement seminars
11 and marketplace, trade and investment
12 missions to the Caribbean, numerous
13 referrals to city, state and federal
14 economic development agencies and annual
15 events. The Caribbean American Chamber of
16 Commerce and Industry has had an extensive
17 track record of service delivery.

18 Established partnerships with government and
19 private business entities have contributed
20 to the success of such annual events as:
21 Tribute to Rev. Dr. Martin Luther King in
22 January, Salute to African American Business
23 History Month in February, Salute to Women
24 Entrepreneurs in March, Annual Entrepreneur
25 of the Year Awards Gala in April,

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2 International Conference on Doing Business
3 in the Caribbean in June, Annual Celebration
4 of Service and Salute to Caribbean American
5 Leadership in August, Collaboration with
6 West Indian American Labor Day Carnival
7 Association in September, Doing Business
8 with New York City, New York State and
9 federal government agencies in October, and
10 Salute to Small Business Visionaries in
11 December.

12 CACCI's most recent Entrepreneur of the
13 Year Awards Gala attracted over 600
14 entrepreneurs and was attended by such
15 luminaries as New York State Governor George
16 E. Pataki, New York City Mayor Michael
17 Bloomberg and New York State Comptroller
18 Alan Hevesi.

19 As an elected delegate to the 1995
20 White House Conference on Small Business, I
21 lobbied to include two-way trade as one of
22 60 recommendations for Congressional

23 consideration. The Caribbean American
24 Chamber of Commerce and Industry convened
25 and sponsored numerous business meetings in

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2 New York City for visiting heads of state
3 from the Caribbean region. The vision and
4 planning for the development of the first
5 ever Caribbean Trade Center was on the
6 agenda when the Prime Ministers of Jamaica,
7 the Honorable P.J. Patterson, and Dr. Keith
8 Mitchell of Grenada, and H.E. Julian Robert
9 Hunte, President of the 50th Session of the
10 United Nations General Assembly addressed
11 the Caribbean American Chamber of Commerce
12 and Industry on trade and economic
13 development issues affecting the Caribbean
14 region.

15 The organization has been recognized
16 internationally as a leading advocate for
17 small businesses. We have received numerous
18 awards in ceremonies and citations from

19 academic, civil, social, and political and
20 community groups and organizations as well
21 as New York City, New York State and Federal
22 economic development agencies for untiring
23 service and advocacy on behalf of women and
24 minority entrepreneurs here in the United
25 States.

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2 The Caribbean American Chamber of
3 Commerce and Industry has solidified
4 excellent partnerships with the New York
5 City Department of Small Business Services,
6 Empire State Development Corporation, United
7 States Department of Commerce, United States
8 Small Business Administration, Chambers of
9 Commerce, New York City Economic Development
10 Corporations, Caribbean Diplomatic Corps,
11 numerous small business organizations, SCORE
12 and CARICOM. CACCI partnered in 2003 with
13 the United Nation Information and

14 Communications Technology Task Force and
15 sponsored a seminar at the United Nations on
16 "Bridging the Digital Divide."

17 The Caribbean American Chamber of
18 Commerce and Industry is in its third year
19 as the management agency for the Flatbush
20 Caton Merchants Market, a 9,000-square-foot
21 facility Micro Enterprise incubator in the
22 East Flatbush section of Brooklyn, which
23 houses 61 vendors selling cultural products
24 such as Caribbean and African cultural
25 artifacts, traditional African clothing, and

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2 electronic products.

3 In August 2002, the Caribbean American
4 Chamber of Commerce and Industry launched,
5 with the assistance of JPMorgan Chase, Phase
6 1 of the Caribbean Trade Center's e-commerce
7 website here in New York. Financial
8 commitments from New York State Governor
9 George E. Pataki, New York City Mayor

10 Michael Bloomberg and also the Brooklyn
11 delegation have enabled us, the Caribbean
12 American Chamber of Commerce and Industry,
13 to select a site for the first ever
14 Caribbean Trade Center here in New York.

15 The Caribbean American Chamber of
16 Commerce and Industry's Educational
17 Foundation, which is a 501(c)3
18 not-for-profit entity, provides
19 microentrepreneurial grants for small
20 entrepreneurs.

21 As you can see, the organization has
22 grown and developed and has expanded to
23 respond to the needs of the small business
24 community. Our membership exceeds 1,700
25 members in the United States and the

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2 Caribbean region. JPMorgan Chase's
3 commitment and financial support to CACCI
4 has also grown and its service to our

5 membership has also increased. The bank has
6 been particularly instrumental in providing
7 financial support to make available
8 technical assistance to microentrepreneurs
9 and other small business owners in several
10 enterprises within CACCI. The relationship
11 with the bank has also helped to assist us
12 in the conceptualization of our new
13 projects.

14 Serving as a member of the Community
15 Advisory Board of JPMorgan Chase has
16 provided me with an invaluable opportunity
17 to participate in a sharing-of-information
18 process that has enhanced JPMorgan Chase's
19 ability to assess and to respond to the
20 community's needs, particularly in areas of
21 housing, small business lending practices,
22 faith-based initiatives undertaken by
23 JPMorgan Chase.

24 MS. BRAUNSTEIN: Excuse me, would you
25 please finish up.

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MR. HASTICK: I have also experienced

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firsthand the concerted and diligent efforts

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on the part of senior administration and

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other banking representatives of JPMorgan

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Chase to ensure community representation in

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the planning process and a willingness to

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accept advisory board input and incorporate

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recommendations that have helped to forge

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stronger links with minority communities.

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I strongly recommend and support the

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merger of JPMorgan Chase and Bank One.

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Thank you.

14

MS. BRAUNSTEIN: Thank you.

15

MS. GOMEZ: Thank you for the

16

opportunity to comment on the merger of

17

JPMorgan Chase/Bank One. My name is Luz

18

Gomez. I'm the Director of ACCION USA in

19

Miami, Florida. ACCION USA is a private,

20

nonprofit organization that provides access

21

to credit and business training to low- and

22

moderate-income business owners, what we

23

call "microentrepreneurs." The purpose of

24

my testimony today is to describe the

25 overall positive interaction and

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2

relationship that ACCION has had with

3

JPMorgan Chase. Every ACCION program is

4

located in a city or community where

5

JPMorgan Chase has an active presence and

6

therefore a responsibility.

7

JPMorgan Chase has provided significant

8

financial support to our network for over a

9

decade. This has included grant support to

10

build ACCION USA's lending capacity.

11

Specifically, this grant support allowed us

12

to create an online lending platform, which

13

has far-reaching implications for increasing

14

AUSA's scale of operations and its ability

15

to reach thousands more entrepreneurs

16

throughout the United States.

17

In addition to this capacity-building

18

support, JPMorgan Chase supported the

19

launching of our newest program serving all

20

of Miami Dade County. Miami was ranked by

21 the U.S. Census Bureau as the poorest big
22 city in the United States two years in a
23 row. JPMorgan Chase's grant support
24 assisted us in establishing a capital
25 resource option for microentrepreneurs in

219

1

2 this area.

3 JPMorgan has also served generously on
4 our board of directors and advisory boards
5 of a number of our network members. In
6 Miami we have one individual, Michael
7 Cabanas, who serves on the ACCION USA
8 advisory board. He has introduced ACCION to
9 various local constituents, and provided
10 strategic direction, contributing to our
11 program's tremendous growth this past year.

12 Finally, we work very closely with
13 JPMorgan Chase to establish joint customer
14 programs throughout our network. When banks
15 are unable to provide small business loans

16 to potential customers, they will often
17 refer this lead to us. Many of our current
18 borrowers come to us from bank referral
19 programs. With Bank One sites already
20 existing throughout Florida, this merger
21 will provide ACCION USA Miami the
22 opportunity to provide new bank partner
23 relationships in other areas of the State of
24 Florida as we expand statewide in the coming
25 years. We believe this relationship

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1
2 established with JPMorgan Chase will only
3 enhance our ability to reach new markets of
4 small business owners throughout the state.
5 Because of the support of JPMorgan
6 Chase, ACCION has been able to help
7 thousands of hard-working microentrepreneurs
8 with no other access to loans. These small
9 business owners, in turn, have not only
10 helped themselves, but their families, their
11 employees, as well as their local

12 communities. Thank you.

13 MS. BRAUNSTEIN: Thank you.

14 MR. REEDER: My name is Dennis C.

15 Reeder. I am the Executive Director of the

16 Washington Heights and Inwood Development

17 Corporation. I want to thank the Federal

18 Reserve Bank for providing me with the

19 opportunity to comment on the proposed

20 merger, which my organization supports.

21 The Washington Heights and Inwood

22 Development Corporation is a not-for-profit

23 local development corporation that has been

24 providing community economic development

25 services to the neighborhoods of Upper

221

1

2 Manhattan for over twenty-five years.

3 We currently operate the Upper

4 Manhattan Business Outreach Center and the

5 Business Opportunity Success System, better

6 known as BO\$\$, microbusiness development

7 program. B0\$\$ has assisted in the creation
8 of almost 400 new businesses and over 700
9 new jobs in Upper Manhattan since its
10 inception in 1992. B0\$\$ will provide
11 one-on-one business counseling and technical
12 assistance to over 300 microentrepreneurs
13 this year, and its microbusiness loan
14 program will provide over 60 loans totaling
15 over \$1,000,000. The vast majority of
16 people we assist are poor, recent immigrants
17 and have very limited English language
18 skills.

19 JPMorgan Chase has been our most
20 consistent supporter over these past
21 twenty-five years. The B0\$\$ program would
22 not have existed if it were not for the
23 direction and support of JPMorgan Chase and
24 key members of its staff. Since its
25 inception, B0\$\$ has been maintained in large

3 support provided by Chase. Their commitment
4 to our community has always come from a true
5 desire to assist low- and moderate-income
6 neighborhoods and not from the corporate
7 necessities of CRA. Their staff, including
8 branch managers, loan officers and those
9 involved in community development have
10 volunteered to serve on our board of
11 directors on a continuous basis since our
12 inception in 1978. Members of Chase's staff
13 have served actively on our BO\$\$ loan review
14 committee since the program's inception in
15 1994 -- as an aside, 1992 is a mistake.

16 We strongly support the merger of
17 JPMorgan and Bank One because it will make a
18 stronger bank. I am confident that this
19 bank will show an even greater commitment to
20 the economic development of our city's and
21 nation's low- and moderate-income
22 communities. Thank you.

23 MS. BRAUNSTEIN: Thank you very much,
24 and thank you to the panel. We are now
25 going to take a 30-minute break. We will

1

2 reconvene at 1:35.

3

MR. REED: Before we break, I am on

4

this panel -- I am late -- could I possibly

5

give two minutes of testimony? I would like

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to do that, please.

7

MS. BRAUNSTEIN: All right.

8

MR. REED: Thank you. Timing is

9

everything. I apologize to the board and to

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the chairman. Traffic in New York is always

11

something that is to be somehow avoided if

12

possible.

13

My name is Edwin Reed, and since 1995 I

14

have served as Chief Financial Officer of

15

the Greater Allen Cathedral and its related

16

corporations. The church has nearly 18,000

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members and provides services to the

18

community in the area of senior citizen

19

housing -- we own about 630 units; a school

20

for children pre-K 3 to 8th grade with over

21

600 students; a transportation corporation

22 with six scenic cruiser buses; a housing
23 development corporation that has built
24 approximately 225 units and rehabilitated
25 over 300 units; operates a senior citizen

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2 feeding program; provides a resident program
3 for battered women and their families;
4 provides transportation for seniors to
5 local-area stores, hospitals and banking
6 services; and housing for formerly homeless
7 individuals.

8 The Greater Allen Cathedral has been an
9 active participant in many of the programs
10 and projects that I have just mentioned.

11 First, JPMorgan is our lead bank. As
12 such, they were the driving force behind a
13 \$15 million loan to build a new sanctuary.
14 This was a major expansion, as the church
15 more than doubled its seating capacity.
16 JPMorgan Chase exhibited a great deal of
17 expertise as the financing package was

18 developed. They had people who understood
19 churches and banking. They look at the
20 potential for being a partner in supporting
21 the development of a neighborhood and
22 community.

23 At the Greater Allen Cathedral, we
24 operate on the principle of leverage and
25 relationship. While the bank has a limited

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1
2 amount of funds or grants, which are
3 critical, important, essential, and
4 hopefully much larger after the merger, the
5 real power of the banking is lending. We
6 wanted to be evaluated as any other small
7 business, in that our increase in seating
8 was a capacity expansion. Chase understood
9 that this expansion would lead to increased
10 revenue because we only had a small share of
11 our market. It takes insight and expertise
12 for a bank to understand unconventional

13 financing in conventional ways.

14 While it is significant for JPMorgan
15 Chase to do a transaction, the power of the
16 institution is reflected when the leadership
17 of the bank decided to initiate a house of
18 worship lending program. It is a pleasure
19 to deal with an institution that is
20 innovative, but also it is even more
21 important for an institution to recognize
22 market opportunities that will provide a
23 foundation for broader community
24 development. Their program was set up in
25 1998, long before the attention was given to

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2 "faith based initiatives." JPMorgan Chase
3 is making a difference in the community.

4 There is one other program that I would
5 like to highlight that is uniquely JPMorgan
6 Chase. Recognizing that houses of worship
7 were one of the most effective bases for
8 community development, the bank started a

9 grant program for institutions that had no
10 previous experience in development. Grants
11 were given at the earliest possible time and
12 could fund items such as hiring a consultant
13 to develop 501(c) application, invest in raw
14 materials, or jump-start the organization.
15 This program is so innovative and unique, I
16 have encouraged others across the country to
17 engage their local banking institutions in
18 doing a similar program.

19 To implement the program, JPMorgan
20 Chase developed a board of practitioners in
21 the field, on which I serve. There are
22 large institutions that have been in the
23 development business for a number of years
24 but are involved in the process of expanding
25 the base of institutions that are attempting

227

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2 to impact their communities. I have seen
3 this work in the lives of people and I am

4 encouraged that more will be done in the
5 future because of this merger.

6 Let me conclude by saying that I am
7 supportive of the merger of Bank One and
8 JPMorgan Chase. It is encouraging to me
9 that there will be a major expansion of the
10 programs that make JPMorgan Chase a leader
11 in community development. However, it is
12 important to note that in the merger the
13 position of an executive vice president for
14 community development and related issues is
15 critical. At JPMorgan Chase, success is due
16 to access to dedicated senior management
17 reporting directly to the office of the
18 president and chairman. This, for me, is
19 the critical test for evaluating the future
20 performance of the merger of J.P. Morgan
21 Chase and Bank One.

22 Madam Chairman, thank you very much for
23 this opportunity and your forbearance.

24 MS. BRAUNSTEIN: You're welcome.

25 Now we are going to take a break and

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2 revise the time a little bit. We will

3 reconvene at 1:40.

4 (A luncheon recess was taken.)

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AFTERNOON SESSION

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MS. BRAUNSTEIN: We are now going to

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start the afternoon session. Welcome back

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to those of you who were here this morning.

7

If there is anybody still in the

8

audience who is supposed to be on this first

9

afternoon panel, please come forward.

10

I will reiterate some things that I

11

said this morning for the afternoon panel,

12

which is that we do have timekeepers here.

13

Everybody has five minutes. Please keep

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your eye on the timekeeper. They will tell

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you when your time is up. We do have, as I

16

am sure you know, a very tight schedule this

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afternoon. We are trying to stay on

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schedule, so we really appreciate your

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cooperation in terms of timing.

20 Additionally, if you have written
21 statements with you and you have a copy,
22 please leave it with the gentleman sitting
23 right here in the center, our reporter for
24 the session.

25 The last thing is, please state your

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1

2 name and organization at the beginning of
3 your statement.

4 MS. BARRERA: Good afternoon. My name
5 is Jamie Barrera. I am President and CEO of
6 ACCION TEXAS, and I am grateful for the
7 opportunity to support the merger of
8 JPMorgan Chase and Bank One. In Texas,
9 ACCION is a statewide, not-for-profit
10 lending corporation. We make small-business
11 loans, \$35,000 and under. 100 percent of
12 our customers are not bankable, and we serve
13 the entire State of Texas. We have offices
14 in San Antonio, Austin, Houston, Dallas-Fort

15 Worth, El Paso, Brownsville and Oakalla,
16 Texas. We started with a first loan in June
17 of 1994 and now we have over 800 active
18 customers throughout the state, an
19 outstanding portfolio of about \$8 million
20 and average loan size of about \$5,000. And
21 we have gotten to that scale through the
22 help of JPMorgan Chase and Bank One.

23 They were, I call JPMorgan Chase and
24 Bank One, the godfathers, if you will. They
25 were the first banking financial institution

231

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2 that came to us not only with grants but
3 with long-term financing that was needed.
4 And they were very limited, in the fact that
5 this long-term finance was at zero percent.
6 They are individuals that maintained their
7 leadership, because having the idea of
8 coming statewide and wanting to rescale,
9 they helped us create the methodology in
10 which to do that.

6 opportunity to go into a bank. Now with the
7 merger we will have about 200 more retail
8 operations with Bank One facilities.

9 JPMorgan Chase also gave us the
10 opportunity to buy one of their facilities,
11 which was a building that they owned, at
12 cost. So we now have a permanent home in
13 San Antonio, Texas, that is paid for free
14 and clear.

15 In the other sites throughout Texas, we
16 have free office space for our loan officers
17 in Houston and Brownsville and Oakalla.
18 Operations like that, that kind of free
19 in-kind contribution, are really worth many,
20 many dollars in terms of retail space.

21 So we have a long history since 1994
22 with JPMorgan Chase, and we have seen their
23 commitment and we have been through the
24 mergers of Chemical Texas bank, the JPMorgan
25 Chase, so we don't see any reason why that

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2 can't work out at this present time.

3 MR. CHAMBERS: My name is Curt
4 Chambers. I am the General Manager of
5 Progressive Neighborhood Federal Credit
6 Union in Rochester, New York. I want to
7 thank the Federal Reserve and Bank One for
8 this opportunity to testify. Progressive
9 Federal Neighborhood Credit Union is a
10 credit union that has been in operation
11 since 1995 in Rochester, New York. Our
12 focus as a CDCU is to offer financial
13 services to the low income and underserved
14 in our field of membership. We offer
15 assistance in credit, financial literacy, as
16 well as savings account, home improvement
17 and mortgages. We have also developed a
18 number of cooperatives with community
19 organizations to offer microenterprise loans
20 to our field of membership. Having the CDCU
21 designation, we are able to solicit support
22 from any and all organizations to help us
23 fulfil our mission.

24 Having said that, I am here to state
25 that JPMorgan Chase stepped up and went far

1
2 beyond its peers in Rochester in assisting
3 us to continue our work. First off,
4 JPMorgan Chase has since our beginning
5 maintained a large nonmember certificate of
6 deposit with us. This support allows us to
7 continue to make loans to our members who
8 may not, for any number of reasons, be able
9 to obtain these loans and services from the
10 more conventional financial institutions.
11 Barbara Jones, with Chase in Rochester, New
12 York, has been instrumental in offering
13 literacy training to not only our members
14 but other members of the community, to help
15 them to learn not to live from paycheck to
16 paycheck, and how to recognize predatory
17 practices in the community and how to avoid
18 them, as well as many other financial issues
19 that need to be addressed by our members.
20 Most importantly, JPMorgan Chase has

21 donated a branch building to Progressive
22 Neighborhood Federal Credit Union which
23 allowed us to move to a building that we not
24 only own but allows us to move closer to the
25 membership that we serve. We were able to

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2

move out of our small, cramped storefront

3

into a building that allows us to expand and

4

grow, to serve more of the underserved and

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poor people in our area. This also allows

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us to give something back to the community

7

by being able to offer our facility to

8

neighborhood organizations for their use as

9

well.

10

These are just a few examples of the

11

activities that JPMorgan Chase is doing in

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Rochester. Given the history of this kind

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of activities that JPMorgan Chase has

14

demonstrated, I am certain that they will

15

continue them after the proposed merger

16

takes place. Thank you very much.

17 THE COURT: Thank you.

18 MS. CLARK: Good afternoon. My name is
19 William Clark. I am the President and Chief
20 Executive Officer of the Urban League of
21 Rochester, N.Y. Inc. I have held my current
22 position for the past ten years.

23 First of all, I commend the members of
24 the Board for allowing me to be here today
25 to give testimony on behalf of JPMorgan

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2 Chase.

3 The Urban League of Rochester is one of
4 105 affiliates of the National Urban League,
5 of which six affiliates are located in New
6 York State. Our services in Rochester are
7 focused primarily in Monroe County, but we
8 also provide limited services to the five
9 surrounding counties. Our mission, which is
10 shared by our National office and all
11 affiliates, is: To enable African

12 Americans, Latinos, the poor, and other
13 disadvantaged to secure economic
14 self-reliance, parity and power, and civil
15 rights.

16 In Rochester, New York, the Urban
17 League provides comprehensive services in
18 the areas of youth education, small business
19 development, employment training and job
20 placement programs, family stability,
21 services for the developmentally disabled
22 and housing development and economic
23 development programs. Each year, the Urban
24 League of Rochester provides direct services
25 to approximately 5,000 individuals and

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2 families in the Greater Rochester area, and
3 we provide that through an array of 20-plus
4 programs.

5 On an organizational level, our
6 relationship with Chase actually predates my
7 22-year work history with the Urban League.

8 Chase currently provides the Urban League of
9 Rochester with its operating account. Chase
10 also granted us our first ever line of
11 credit, a line of credit which has grown
12 over the years to \$800,000 to meet our
13 emerging needs. In 1998, when we decided to
14 purchase our headquarters, Chase found an
15 innovative way to finance the purchase
16 through a \$1.15 million mortgage.

17 I am here today in support of the
18 JPMorgan Chase & Company and Bank One
19 merger. JPMorgan Chase has been a role
20 model in the Rochester community in
21 providing low- to moderate-income financing,
22 and in their support of community-based
23 organizations that provide services to this
24 clientele.

25 When the Urban League announced its

3 the first corporation to make a substantial
4 gift. An officer of JPMorgan Chase, Barbara
5 Jones, also joined and worked with the
6 capital campaign committee until the
7 \$750,000 goal was successfully achieved.

8 During the past year, an officer of
9 JPMorgan Chase ran a series of financial
10 literacy workshops through the Urban League
11 of Rochester, benefiting both our clients
12 and staff of Urban League of Rochester in
13 the benefits of asset accumulation.

14 JPMorgan Chase has been actively
15 involved in the Rochester City School
16 District also, providing students the
17 opportunity to engage in hands-on learning
18 opportunities through the JPMorgan Chase
19 "Champions of Active Learning" program.
20 Students at the Freddie Thomas Learning
21 Center are learning the skills required to
22 operate a radio station, plus students at
23 Frederick Middle School are learning
24 web-page design, through grants from the
25 Chase Foundation.

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2

JPMorgan Chase was the first local

3

lender to offer down payment closing

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assistance funds for the clients of our Home

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Store, which provides home ownership

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opportunities for low- to moderate-income

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individuals. Our Home Store has close to 92

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loans with JPMorgan Chase since January

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2002 -- all to low- to moderate-income

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buyers.

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As the representative of an agency

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whose clients have benefited greatly from

13

the JPMorgan Chase involvement in our

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community, I fully support this merger. I

15

also believe that the values and commitment

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that JPMorgan Chase brings to the table,

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along with the strength and commitment

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involved in it, will only strengthen

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community involvement in the expanded

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territory that will be covered by the

21

JPMorgan Chase/Bank One merger.

22

In closing, I want to thank all of you

23 for the opportunity to come before you today
24 and to lend my support to this merger.

25 MS. BRAUNSTEIN: Thank you. Talk about

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2 timing, Mr. Madeo, you have arrived in the
3 nick of time.

4 MR. MADEO: Someone said they were
5 moving this panel back in time. I
6 apologize.

7 Good afternoon, Madam Chair and
8 members: For the record my name is John
9 Madeo. I am the President of Fairfield 2000
10 Homes Corp. And a member of the JPMorgan
11 Chase Community Advisory Board. I reside in
12 Connecticut. Initially I would like to
13 thank the Federal Reserve for providing the
14 public with this opportunity to comment.

15 Fairfield 2000 Homes Corporation is a
16 nonprofit which affords housing
17 opportunities in Fairfield County,
18 Connecticut. 500 affordable housing units

19 ranging from rental housing to the homeless
20 to transitional housing to condominium and
21 single-family home ownership house. We
22 provided this housing not only in inner
23 cities such as Bridgeport, Stanford and
24 Danbury, but also in affluent suburban
25 communities such as Wilford and Trumbull.

241

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2 Fairfield 2000 has provided consultant
3 service as pro bono services to the local
4 organizations which seem to provide
5 affordable housing in their communities.
6 All of the households that occupy our homes
7 have incomes that are less than 80 percent
8 of the median income, and the overwhelming
9 majority of those households have incomes
10 that are less than 50 percent of the median
11 income.

12 Over the years we have looked to Chase,
13 and then to JPMorgan Chase, for both

14 low-income loans and grants, some of which
15 were project specific and some of which were
16 to support our annual operating budget as
17 well as the construction and permanent
18 financing. Additionally, we have
19 consistently relied on JPMorgan Chase for
20 technical assistance.

21 In all this work, JPMorgan Chase has
22 demonstrated responsiveness, consistency and
23 commitment to serving low- to
24 moderate-income households in our area and
25 they have been outstanding.

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1

2 I wish this afternoon to speak in
3 support of the merger. JPMorgan Chase has
4 been a leader in the lending industry in the
5 community development field and has
6 demonstrated that leadership in the area of
7 housing, the arts and education. I truly
8 believe that with this merger JPMorgan
9 Chase/ Bank One can take an outstanding

10 track record of responsiveness, consistency
11 and commitment to low-income households and
12 communities and make it even better.

13 JPMorgan Chase has assisted Fairfield
14 2000 by making the difficult loans. Most
15 nonprofits don't have the seed money to
16 undertake the planning and design work to
17 undertake their projects. JPMorgan Chase
18 has advanced Fairfield 2000 seed money to do
19 so and has done this for other nonprofits
20 as well. In this, JPMorgan Chase often
21 takes the largest risk at a time when
22 nonprofit developers need it most. That is
23 a reflection of the type of leadership
24 JPMorgan Chase has shown over the years. It
25 is one of the few financial institutions

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1
2 that have consistently provided operating
3 grants to nonprofits to assist them in
4 meeting their operational needs.

5 In the case of Fairfield 2000, it has
6 allowed us to provide technical assistance
7 to small business and nonprofits, planning
8 boards, and housing authorities which are
9 interested in supporting affordable housing.

10 To me, what is most reflective of the
11 case of JPMorgan Chase's commitment, and I
12 believe this commitment runs from the
13 leadership down to the street vendors, is
14 the fact that, even when they provided a
15 seed-money loan or an operating grant, there
16 was never a requirement to use Chase or
17 JPMorgan Chase as the construction or
18 permanent lender. Its goal was to see that
19 the housing got built and to see that the
20 community improved. If some other
21 institutions received cc credit, that was
22 truly less significant to them. But, quite
23 simply, Fairfield 2000 Homes Corporation
24 would never have been able to provide
25 affordable housing opportunities to 500

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2 households without Chase and JPMorgan Chase.

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Beyond that, however, as a member of

the Community Advisory Board, I can attest

to how seriously Chase, and then JPMorgan

Chase, has taken their responsibility as a

citizen in the bank's ongoing activities.

They have asked us to provide input as well

as to provide suggestions as to how the bank

can better serve low- and moderate-income

communities in which it does business.

In closing, I would say that I have

been involved in the nonprofit affordable

housing field for almost twenty-five years,

in both Westchester County, New York, and

Fairfield County, Connecticut, and have

worked with numerous lending institutions.

I can testify before you today that JPMorgan

Chase has the most thoughtful, comprehensive

and, I believe, the most effective community

development strategy of any of the lending

institutions of which I know.

I support the proposed JPMorgan

Chase/Bank One merger, in the sincere belief

25 that it will enable the combined entity to

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2 be even more successful in supporting low-
3 and moderate-income community efforts in the
4 service areas. Thank you.

5 MS. NECARSULMER: My name is Barbara
6 Necarsulmer. I am here representing the
7 Delaware Small Business Development Center.
8 I would like to thank the Federal Reserve
9 for the opportunity to be here today.

10 The Delaware Small Business Development
11 Center provides free business counseling,
12 technical assistance, and training
13 information to small business owners
14 throughout the State of Delaware in four
15 locations.

16 Small business builds and sustains
17 communities. In addition, It plays a vital
18 role in helping low- and moderate-income
19 individuals to grow their incomes and build
20 equity. We work with small business owners

21 and individuals to do just that.

22 We have a longstanding relationship
23 with both JPMorgan Chase and Bank One. We
24 first approached both of these institutions
25 a number of years ago to provide operating

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2 support for our program. And while they
3 certainly provided that, both JPMorgan Chase
4 and Bank One have provided far more than
5 simple routine monetary assistance. Both
6 have provided extraordinary and substantial
7 support that changed the way we deliver our
8 programs and services. Time will not allow
9 me to list all of their many contributions,
10 so I choose the most significant and provide
11 additiona information in a comment at a
12 later time.

13 Traditionally, Small Business
14 Development Centers are located on a college
15 campus. Recognizing that business owners

16 and the underserved populations we assist
17 are not typically found on university
18 campuses and don't happen to be hanging
19 around colleges and universities, DSBDC
20 embarked on a long-term project to move our
21 facilities to where business people are, to
22 downtown retail locations that are more
23 accessible and less intimidating. This
24 expanded space also allows us to expand our
25 programs and services to the things that

247

1
2 this market really needed. Finding a lead
3 sponsor to make the three-year financial
4 commitment that we needed in order to sign a
5 lease on this space was a daunting task.
6 Bank One was the first institution to make
7 such a commitment. Others followed their
8 lead, and a year or so later we opened up
9 the first of these facilities. Our program
10 was changed forever.

11 JPMorgan Chase also provided generous

12 financial support, plus office furniture,
13 assistance in technology issues, as well as
14 a significant financial grant that allowed
15 us finally to finish our last off-campus
16 center in rural Sussex County, the most
17 rural part of our state.

18 As a result of the support of these
19 institutions and our joined visions, in one
20 year alone the number of people that visited
21 DSBDC locations grew by a factor of 10
22 times, from less than 600 to over 6,000,
23 resulting since that time in 30,000
24 additional business owners and potential
25 business owners being able to access our

248

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2 programs, our information, our training, our
3 counseling.

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The composition of the people we
service has changed greatly as well. Where
prior to our relocation 12 percent of our

7 clientele may have been minorities, now it
8 is over one-third.

9 We have wondered if the combined
10 community involvement of these two
11 extraordinarily committed organizations
12 could be less than the sum of the individual
13 parts. But we are supportive of this merger.
14 Bank one and JPMorgan Chase are our largest
15 private sector supporters. Changes would be
16 devastating to us. However, in the past
17 they have been more than supportive of us
18 and the community at large. They have
19 survived past mergers, both institutions,
20 without a significant decrease in human
21 support. Their history in respect to
22 extraordinary leadership in support of small
23 business in the Delaware community as a
24 whole speaks to their commitment to the
25 communities which they serve.

3 follow up as we, together, work to build a
4 Delaware community of which we all are a
5 part and to help all those succeed.

6 I thank you again for the opportunity
7 to speak today.

8 MS. BRAUNSTEIN: Thank you very much,
9 and thanks to this panel. Could the next
10 panel please come forward.

11 Just a reminder to everybody that we do
12 have limited time, so everybody is limited
13 to five minutes. We have our timekeepers
14 over there. Please pay heed to them. If
15 you have printed statements, please give
16 them to the gentleman in the center who is
17 our recorder.

18 Lastly, at the beginning of your
19 statement, please state your name and
20 organization for the record. Thank you.

21 MS. PASCAL: Thank you. Good
22 afternoon. My name is. Amanda Pascal, and I
23 am a member of SUN, Syracuse United
24 Neighbors, from Syracuse, New York. SUN is
25 a 26-year-old grassroots community

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2 organization that organizes residents to
3 work to improve the quality of life for
4 people living in the south and west sides of
5 Syracuse. SUN has over 800 dues-paying
6 member families and we represent over 10,000
7 households in our area. It makes up 15
8 percent of the city's households and is
9 considered a low- to moderate-income area.

10 SUN is also a member of NPA, National
11 Peoples Action. NPA is a grassroots
12 coalition of hundreds of neighborhood groups
13 representing hundreds of thousands of people
14 from coast to coast who work on issues that
15 improve their communities. NPA's founding
16 chairperson, Gail Cincotta, was known as the
17 mother of the Community Reinvestment Act.
18 Gail's work has inspired us all and we carry
19 on in her tradition.

20 I am also speaking on behalf of
21 specific organizations today who have been
22 asking JPMorgan Chase and Bank One to sign a

23 CRA agreement with us. These groups are
24 Central Illinois Organizing Project, who
25 cover seven counties in Central Illinois;

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2 Communities United for Action of Ohio;
3 Creston Neighborhood Association, Grand
4 Rapids, Michigan; Iowa Cities for Community
5 Improvement from Des Moines, Iowa; East Side
6 Organizing Project, Cleveland, Ohio,
7 Pittsburgh Reinvestment, from Pittsburgh,
8 Pennsylvania; South Austin Coalition
9 Community Council, Chicago, Illinois;
10 Sunflower Community Action, Wichita, Kansas,
11 and, of course, Syracuse United Neighbors.

12 Representatives from these
13 organizations met with JPMorgan Chase on
14 March 5 in Chicago. Mark Willis, the head
15 of community development at Chase, told us
16 then that it is against the bank's corporate
17 policy to sign CRA agreements -- a policy

18 that is set in a remote corporate office far
19 removed from communities like mine and with
20 little idea of our need. Although
21 Mr. Willis and other representatives from
22 Chase said we had brought him some good
23 ideas, they were unwilling to put any
24 commitment in writing. So both parties do
25 work toward mutual and measurable goals with

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2 some accountability.

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When JPMorgan Chase does business, a consumer can't get a mortgage with just a handshake and a verbal promise to pay. The borrower needs to commit to it in writing by signing a promissory note. It is somewhat disingenuous that JPMorgan Chase does not understand that signing CRA agreements is the same concept and establishes the depth and seriousness to the commitment by the signatories. Spoken promises can be changed and distorted over time.

9 support his family from commissions. He is
10 a good man and wouldn't compromise what he
11 believed in, so he resigned from Chase. His
12 replacement does not care about lending in
13 our neighborhoods. In fact, since Bruce
14 left, zero loans have been made in my
15 neighborhood. With one departmental change,
16 Chase managed to go from the top of the heap
17 to the bottom of the pile. This is
18 extremely distressing. JPMorgan should
19 commit to go back to salary-based loan
20 officer who can focus on the inner city.
21 This officer should be someone who cares
22 about our neighborhood like Bruce did. We
23 want to see a commitment to do this in
24 writing.

25 There are other issues that NPA wants

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2 commitment on. These are commitments to
3 low- to moderate-income lending, lending to
4 minorities, and to predatory lending

5 policies, servicing farm and ranch
6 management, charitable giving, and
7 accountability to existing CRA agreements.

8 These are the issues that the community
9 groups represented in the NPA coalition have
10 collectively decided are the major concerns
11 in our neighborhoods.

12 We have been asking William Harrison,
13 the CEO of JPMorgan Chase, for a meeting.
14 We hope to have a meeting with him before
15 March 23, before the next public hearing.
16 We took 800 people to visit the JPMorgan
17 Chase office in D.C. to deliver a message to
18 invite him to a meeting. We have yet to
19 hear anything. They keep choosing to not
20 come to the table and negotiate with us. We
21 therefore strongly oppose this merger until
22 our CRA issues have been dealt with.

23 MS. BRAUNSTEIN: Thank you. Mr. Cole?

24 MR. COLE: Good afternoon. My name is
25 Chris Cole, and I am Regulatory Counsel for

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2 the Independent Community Bankers of
3 America, a trade association representing
4 approximately 4,600 banks with 17,000
5 locations nationwide. Nationally, ICBA
6 members hold more than \$624 billion in
7 assets and more than \$391 billion in loans
8 for consumers and small businesses. We are
9 very pleased to be here commenting on the
10 proposed merger of Bank One Corporation and
11 the JPMorgan Chase & Company.

12 ICBA continues to be concerned with the
13 continued concentration of banking assets in
14 the United States and the effect this
15 concentration has not only on bank
16 competition but on consumers, small
17 businesses, and communities. This merger
18 will catapult JPMorgan Chase into the second
19 largest bank holding company in the U.S. in
20 terms of assets and, with the consummation
21 of the Bank of America/Fleet merger will
22 mean that the top eight financial
23 institutions in this country will control
24 well over 50 percent of the total U.S.

25 banking assets. As the FDIC chairman

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2 recently predicted, "We could well see a
3 banking industry with a few institutions
4 having assets in the trillions of dollars,
5 and perhaps only half as many community
6 banks as we have today." This trend has
7 disturbing implications not only for our
8 financial system, but also for consumers,
9 small businesses and communities.

10 This evidence shows that increased
11 concentration in the banking industry has
12 not benefited bank customers and has not had
13 a positive effect on the convenience and
14 needs of the communities served by the
15 acquired banks. The economies of scale that
16 supposedly justify large bank mergers either
17 do not materialize or are not passed on to
18 customers.

19 For example, large bank mergers often

20 have an adverse effect on consumer deposit
21 pricing and often result in higher fees to
22 consumers. A Harvard study showed that
23 instances of improved operating results
24 after a large bank merger were due primarily
25 to higher repricing, not economies of scale,

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2 suggesting the use of increased market power
3 by the large banks to raise taxes. Year
4 after year, the Federal Reserve's own annual
5 survey of bank retail fees shows that the
6 average fees charged by multistate banks are
7 significantly higher than those charged by
8 single-state banks. We therefore urge the
9 board to examine closely the effect that
10 this merger will have on deposit pricing and
11 fees in areas where the merger partners
12 overlap, such as in Texas and Florida, and
13 whether consumers will be adversely impacted
14 by this merger.

15 Bank mergers and large bank

16 consolidation often have an adverse effect
17 on small business lending, which is a key
18 engine for sustaining the U.S. economy.

19 We therefore hope that the Federal
20 Reserve will look at the effect of this
21 merger on small bank lending.

22 Along with consumers and small
23 businesses, it is often the case that local
24 communities are also adversely impacted when
25 statewide banks are acquired by large,

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2 national bank franchises located outside the
3 state. The new, larger bank seldom has the
4 same commitment as the acquired bank to the
5 local communities and to local charities and
6 civic groups. Independent Community Bankers
7 thinks that large, national banks like
8 JPMorgan Chase should be examined locally
9 under the CRA -- as community banks are
10 examined -- instead of simply at the main

11 office of the bank.

12 However, the biggest concern to
13 regulators by this mega-merger should be the
14 fact that trillion-dollar financial
15 institutions pose systemic risks to our
16 financial system. Citigroup, Bank of
17 America and JPMorgan Chase together will
18 have more than \$3.5 trillion in assets and
19 will control approximately 35 percent of
20 total banking assets. Former Federal
21 Reserve Board Governor Larry Meyer warned
22 after the passage of the Gramm-Leach-Bliley
23 Act in 1999, noting: "The growing scale and
24 complexity of our largest banking
25 organizations...raises as never before the

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2 potential of systemic risk from a
3 significant disruption, let alone failure,
4 of one of these institutions."

5 We note that the Bank Holding Company
6 Act, as amended by Riegle-Neal Interstate

7 Banking and Branching Efficiency Act in
8 1994, prohibits the Federal Reserve Board
9 from approving an interstate transaction
10 that would result in the acquirer holding
11 more than 10 percent of the total amount of
12 deposits of insured depository institutions
13 in the United States. Following the merger,
14 JPMorgan will have approximately 6.7 percent
15 of the nation's deposits. However, under
16 the law, the Federal Reserve Board is also
17 required to respect state deposit caps.
18 JPMorgan Chase's market share will not be
19 near the state deposit caps of Colorado, 25
20 percent, Kentucky, 15 percent, or West
21 Virginia, 25 percent, but will exceed the
22 Texas cap of 20 percent if the deposits in
23 Texas as of the date of its Federal Reserve
24 application are counted.

25 In its application to the Federal

2 Reserve Board, JPMorgan Chase claims that
3 over \$20 billion of deposits in that state,
4 in Texas, are "national" deposits located in
5 Houston, Texas, and should not be counted as
6 Texas deposits. JPMorgan Chase argues that
7 these deposits are for national securities
8 services or for mortgage escrow services and
9 should be excluded not only from any
10 statewide analysis or merger, but also on
11 the likely impact the merger would have on
12 the Houston bank market. We understand, in
13 fact, that JPMorgan Chase has already moved
14 some of these deposits to branches outside
15 of Texas. If these deposits were counted,
16 JPMorgan Chase would not only exceed the 26
17 percent cap in Texas but would have a 46
18 percent share of deposits in the Houston
19 banking market, which would be well in
20 excess of antitrust guidelines.

21 MS. BRAUNSTEIN: Mr. Cole, please wrap
22 up.

23 MR. COLE: Be glad to.

24 We hope, therefore, that both the Texas
25 State Bank Commissioner and the Federal

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2 Reserve will examine JPMorgan Chase's claim
3 very carefully. Large banks should not have
4 the ability to recharacterize their deposits
5 as "national" or move them to another state
6 in order to comply with the state deposit
7 caps or to resolve an antitrust issue.

8 We thank you for the opportunity to
9 testify.

10 MS. AMIRI: Good afternoon. My name is
11 Bridget Amiri. I am an attorney at South
12 Brooklyn Legal Services Foreclosure
13 Prevention Project. Thank you for the
14 opportunity to provide testimony here today.

15 We are in opposition to the merger
16 because we are concerned about Chase's
17 involvement in predatory lending issues. My
18 office focuses almost exclusively on
19 preventing foreclosures and predatory home
20 mortgages, where the home owner is the
21 victim of predatory lending.

18 Administration, with the property considered
19 flipped, or, in other words, has been bought
20 for a small amount of money, resold to the
21 unsuspecting home buyer, and within a very
22 short period the mortgage is insured by the
23 FHA program and the borrower is usually
24 faced with then having to make unaffordable
25 mortgage payments, the property is then

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2 fraudulently overpriced, and he has to make
3 repairs on the property. Usually the
4 homeowner can't do both, as a result is in
5 default on the mortgage.

6 Ultimately, as with most predatory
7 lending practices, this practice affects
8 drastically borrowers, something that we are
9 trying to address in many different ways
10 through litigation and through negotiation.

11 This is somewhat akin to the home buyer
12 fraud in the Poconos, which was the article

13 in The Times last Sunday. In that case we
14 see Chase has been the purchaser of the
15 loan.

16 So really what we think is the problem
17 is twofold: That Chase must stop buying
18 these predatory loans on the secondary
19 market. By doing so, they are giving
20 capital to the predatory lenders to repeat
21 the cycle of predatory lending and
22 perpetrate those bad practices on the
23 unsuspecting first-time homeowners. They
24 must comply with a number of rules before
25 buying loans. We feel that Chase should

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2 make a significant commitment to instituting
3 very complex and concrete due diligence
4 guidelines for purchasing these loans.

5 The second problem is that, once a
6 borrower has become the target of a bad loan
7 and Chase has bought that loan, Chase needs
8 to work with the homeowners to find

9 affordable solutions and work creatively
10 with the homeowner to find a resolution to
11 keep her in the home.

12 Unfortunately, we have found that Chase
13 has been very reluctant to find creative
14 solutions, whether explicitly authorized by
15 the HUD guidelines or not. There is a lot
16 of room for thinking outside the box in
17 creating new ways to keep the homeowner in
18 the home, and Chase has ultimately been
19 reluctant to do that.

20 So, really, it is two things: Stop
21 buying these loans; but once they do buy
22 these loans, work with the homeowners -- and
23 not when we come to them; not when the
24 homeowners have found their way to us that
25 need help. There are a lot of homeowners

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2 out there who will not find their way to my
3 organization or another community-based

4 organization, and Chase needs to be
5 proactively reaching out to them when they
6 detect a predatory practice on a loan that
7 they can purchase.

8 Right now, we have talked to Chase, and
9 we are trying to work out some kind of
10 agreement or commitment with Chase to come
11 to some sort of agreement on their due
12 diligence practices, and ways to find
13 creative solutions once they purchase the
14 loan.

15 But, ultimately, if Chase doesn't
16 voluntarily agree to that, we ask that the
17 Federal Reserve condition the merger on
18 implementing these guidelines. Thank you.

19 MS. BRAUNSTEIN: Thank you.

20 MR. MYER: Good afternoon. My name is
21 Joe Myer, I am Executive Director of NCALL
22 Research in Dover, Delaware, and I chair the
23 Delaware Rural Housing Consortium. Thank
24 you for the opportunity to comment on the
25 proposed merger.

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This proposed merger combines both great anticipation and great concern for those in the affordable housing and community development sectors in Delaware.

The National Council on Agricultural Life and Labor Research Fund, Inc. -- NCALL -- is a Delaware-based nonprofit corporation that provides housing development technical assistance resulting in affordable multi-family housing development and direct services such as Homeownership Counseling and Individual Development Account counseling which impact lower income households. In addition, NCALL administers a Loan Fund for affordable housing development purposes and chairs the "Best Practice" Delaware Rural Housing Consortium collaborative. We have assisted over 5,000 first-time home buyers realize their dream.

We are very pleased with the CRA-related performance of both merging

24 entities in Delaware.

25 JPMorgan Chase and Bank One are both

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2 set apart in the manner they go about

3 fulfilling their responsibilities and

4 serving those in need in Delaware.

5 What sets them apart from many other

6 banks that we witness?

7 First, the quality of their CRA staff

8 is absolutely second to none in Delaware.

9 Their working relationship of both

10 urban and rural environments in Delaware.

11 The leadership provided to the

12 nonprofit partners that they work with,

13 including serving on boards of directors.

14 The creativity that both CRA teams

15 bring to the issues and problems within this

16 state has been nothing short of exemplary.

17 Helen Stewart and her team at JPMorgan

18 Chase, and Roland Ridgeway and his team at

19 Bank One, are totally committed to the CRA

20 mission, and highly responsive and
21 accountable, first-rate CRA managers.

22 Similarly, the grant and investment
23 resources provided by the above entities to
24 nonprofit partners have been "industry
25 leading" in Delaware. The approach has been

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2 to underwrite and invest in nonprofit
3 partners in a manner to make a real impact.

4 The support of our counseling program
5 with grants of \$55,000 and \$25,000,
6 respectively, from Bank One and JPMorgan
7 Chase helps us to raise our \$325,000 housing
8 counseling budget privately each year. This
9 task is much easier to accomplish with
10 \$55,000 than it is with \$5,000 grants.

11 JPMorgan Chase also provided the
12 Consortium with a grant to help with the
13 innovative rural asset management initiative
14 to assure that rental properties are managed

15 well, maintained well, in compliance, and
16 financially sound. These grants really make
17 an impact to a nonprofit partner. The
18 alternative is a small nominal grant that
19 really requires much more in the way of
20 fund-raising. Also, Bank One recently
21 capitalized NCALL's Loan Fund with \$200,000.
22 That represents 24 percent of our fund
23 capitalization. There is no substitute for
24 this level of support, the loss of which
25 would be devastating.

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2 A final example is that JPMorgan Chase
3 is funding a study on the Economic Impact of
4 Affordable Housing in Delaware, and this is
5 helping on a concerted public policy push
6 for the state to dramatically increase
7 resources and priority for its Housing Trust
8 Fund.

9 It is truly uncommon for bank CRA teams
10 to be knowledgeable particularly of the

11 rural housing needs and issues in central
12 and southern Delaware. Rural areas
13 frequently are ignored and few resources are
14 devoted to them. Yet rural Delaware has
15 rates of overcrowding, higher housing costs,
16 seasonal farmer populations, long waiting
17 lists for assisted housing, and lower median
18 incomes. Without attention to the rural
19 areas, Delaware's overall needs cannot be
20 met. To their credit, both JPMorgan Chase
21 and Bank One have been deeply involved in
22 Delaware statewide and are providing
23 leadership to the rural areas as well.

24 However, without an opportunity to view
25 the future or look at a plan for serving

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2 Delaware, there certainly are some concerns
3 that we have.

4 Will there be a loss of quality CRA
5 staff -- knowledge capital, if I will --

6 that could negatively impact our state?

7 Will there be a move to outsource CRA
8 in Delaware and move the base of CRA staff
9 to another state? We have seen this on
10 occasion and it always represents and
11 results in less favorable second-rate
12 service.

13 Will a merged entity grant and invest
14 substantial resources into nonprofit
15 partners as the two separate entities have
16 demonstrated individually?

17 Will the philosophy of "impact grants"
18 be continued as opposed to the mentality of
19 small "spread it around" grants?

20 Will the merger upset the substantial
21 affordable housing infrastructure that these
22 banks are a part of and contribute to in
23 Delaware?

24 Finally, will the merged entity
25 maintain interest in statewide needs and

2 issues, including rural Delaware as well?

3 NCALL has a lot at stake with this
4 merger. The families we serve, the elderly
5 families of migrant and farmer workers, have
6 a lot at stake. The Delaware Rural Housing
7 Consortium, a collaborative of seven rural
8 units, has just unveiled the 3-year housing
9 plan to improve family housing for 240
10 households. This needs increased
11 investment --

12 MS. BRAUNSTEIN: I ask you to wrap up,
13 please.

14 MR. MYER: -- and will need
15 capitalization assistance as well.

16 We believe that a merger between
17 JPMorgan Chase and Bank One can benefit the
18 community if the merged entity will accept
19 and embrace the high standards set by both
20 individual banks, at least maintaining and
21 hopefully raising that standard even higher.

22 Thank you for the opportunity.

23 MS. BRAUNSTEIN: Thank you.

24 MR. MARSICO: Good afternoon. My name
25 is Richard Marsico. I am a professor at New

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York Law School. I am a member of the

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National Community Reinvestment Coalition.

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I am also participating in a coalition of

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organizations in New York State that filed

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written comments opposing the bank merger

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and is also currently negotiating with

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JPMorgan Chase, requesting them to commit to

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certain lending policies and practices in

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connection with this merger.

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My testimony today is based on the 2002

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Home Mortgage Disclosure Act data and the

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2002 CRA disclosure reports of small

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business lending. The basic point of my

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testimony is that JPMorgan Chase, and in

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particular its affiliate banks, JPMorgan

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Chase Bank and Chase Manhattan Mortgage

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Corporation, are failing to meet the credit

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needs of predominantly minority

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neighborhoods, minority individuals in the

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New York Metropolitan Area. In addition,

22 their lending to small businesses, defined
23 as businesses with \$1 million or less in
24 gross annual revenue, in low- or
25 moderate-income census tracts, is a very

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2 small number.

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First, regarding the minority individuals in predominantly minority neighborhoods, according to the 20002 LMI data, JPMorgan Chase Bank and Chase Manhattan Mortgage Corporation failed to meet industry benchmarks. In other words, the percentage of their loans to minority individuals and to predominant minority neighborhoods is lower than the industry as a whole.

For example, if we look at conventional home mortgage lending in predominantly minority neighborhoods, while JPMorgan Chase makes 12.9 percent of its loans and Chase

17 Manhattan Mortgage Corporation makes 10.9
18 percent, the aggregate is 14.9 percent,
19 meaning that JPMorgan Chase Bank is only 69
20 percent of the aggregate, and Chase
21 Manhattan Mortgage Corporation is only 64
22 percent of the aggregate.

23 My written testimony contains
24 additional data, but the Federal Reserve
25 should not tolerate this bank, which is

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2 going to be the second largest bank in the
3 country and asserts its leadership position
4 in the banking industry, not meeting these
5 industry benchmarks of lending to minority
6 individuals in predominantly minority
7 neighborhoods.

8 In addition, two of JPMorgan Chase's
9 affiliates, again JPMorgan Chase Bank and a
10 Chase Bank USA, virtually control the market
11 of small business lending as defined in the
12 CRA disclosure statement. In other words,

13 their loans below certain amounts, they make
14 30 percent of those loans. However, if you
15 look at a very particular segment of that
16 lending -- the lending to small businesses
17 in LMI census tracts -- those banks that
18 make tens of thousands of loans in the
19 Metropolitan Area made only a total of 42
20 loans to small businesses in LMI census
21 tracts, according to the 2002 CRA disclosure
22 statement.

23 Since they have such a big portion of
24 the lending market, the Federal Reserve
25 again should hold them to higher standards.

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2 They have the capacity and ability to make
3 more loans than that, and if they are going
4 to merge the capacity, it ought to be
5 stronger.

6 In considering the merger application,
7 the Federal Reserve should either not grant

8 the application or should conditionally
9 approve the application with commitment from
10 JPMorgan Chase to increase its home mortgage
11 lending and to predominantly minority
12 neighborhoods, minority businesses, and to
13 individuals, in the low- and moderate-income
14 areas of the Metropolitan Area.

15 Thank you for this opportunity to
16 testify.

17 MS. BRAUNSTEIN: Thank you.

18 MS. AARON: Good afternoon. My name
19 is Ket Aaron, and I am going to give
20 testimony on behalf of Alan Fisher of the
21 California Reinvestment Coalition.

22 My name is Alan Fisher. I am Executive
23 Director of the California Reinvestment
24 Coalition. CR is a statewide coalition of
25 more than 200 nonprofit organizations and

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2 public agencies that have advocated for

3 equal access to banks for low-income

4 communities and communities of color since
5 1986. CRC has CRA agreements with
6 California's major financial institutions,
7 but Chase has not come to any negotiated
8 commitment with California organizations.

9 CRC opposes the JPMorgan Chase merger
10 with Bank One because it will have a
11 negative impact on community needs in
12 California where these financial
13 institutions do tens of billions of dollars
14 in lending and have offices and branches.

15 The State of California on its own is
16 the world's sixth largest economy. JPMorgan
17 Chase seeks to take billions of dollars of
18 profits from California without returning
19 anything in the way of benefits, and many of
20 their loans appear to be high interest.

21 The Federal Reserve should not approve
22 this merger without ensuring that profits
23 from Californians bear a positive return for
24 Californians, as is the intent of the
25 Community Reinvestment Act. To approve it

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2 otherwise is a hypocritical act on the part
3 of the federal regulators of community
4 reinvestment.

5 Our issues with both banks are as
6 follows:

7 CRA Responsibility. The Banks have
8 more than fifty offices of their mortgage
9 companies as well as a trust bank in
10 California. JPMorgan Chase has applied for
11 a thrift charter for the mortgage company
12 but seeks to have no CRA responsibility for
13 the new entity. They have delayed the
14 charter process for that entity in order to
15 keep this issue hidden from public view.
16 Based on our review of lending data, Chase
17 did \$101 million in CRA-reportable business
18 loans and \$26 billion in mortgages during
19 2002. CRC members do not believe the merger
20 should be approved without a community
21 investment plan for California that is
22 representative of the full scope of
23 California lending, including the

24 presumptive thrift charter.

25 Subprime Mortgage Lending. From our

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2 review of lending, Chase made 117,069
3 mortgage loans in 2002 to Californians. It
4 is our understanding from national studies
5 that a significant portion of Chase's
6 mortgage lending is subprime. Chase has
7 announced that only 5 percent of California
8 lending is subprime but its presence on the
9 HUD subprime lending list and other
10 community perceptions question this
11 statement. From the data, African American
12 and Latino applicants are much more likely
13 to receive subprime loans from Chase.

14 The Federal Reserve should thoroughly
15 investigate both financial institutions'
16 credit card lending, and publicly report
17 their predatory aspects prior to any
18 consideration of approval of the merger.

19 The Bank and mortgage company have stated
20 that they have a "benefit test" that avoids
21 predatory lending but have not publicly
22 revealed the methodology and results of this
23 test.

24 Subprime Investments. Chase is a major
25 investor in subprime market-backed

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2 securities. The bank has no screen to avoid
3 purchasing beyond its legal requirements.
4 The Federal Reserve should thoroughly
5 investigate both financial institutions'
6 investments in mortgage-backed securities
7 and publicly report their predatory aspects
8 prior to any consideration of approval of
9 the merger. CRC has offered Chase our
10 "Financing Best Practices" to move the
11 screening process forward to greater benefit
12 of the consumer.

13 Credit Card Lending. Chase and Bank
14 One are merging to become the number-two

15 credit card lender in the U.S. It is not
16 clear how much of the credit card lending
17 the merged banks will do in California that
18 is subprime. The Federal Reserve should
19 thoroughly investigate both financial
20 institutions' credit card lending and
21 publicly report their predatory aspects
22 prior to any consideration of approval of
23 the merger.

24 EBT: Chase has acquired Citigroup's
25 EBT program. CRC has been very involved in

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2 statewide and local discussions with state
3 agencies, county governments, and banks
4 regarding accessible free access to EBT.
5 U.S. Bank recently agreed to offer free
6 access to their ATMs for EBT recipients.
7 Chase should guarantee that Citibank West
8 will offer free access permanently. Chase
9 should facilitate surcharge free ATM access

10 with the other major financial institutions,
11 since it has no branches in California, so
12 that all EBT recipients have three or more
13 geographically distinct access points in zip
14 codes in which they are living.

15 RALs: Bank One does 10 percent of all
16 Refund Anticipation Loans, which are
17 predatorily priced loans against income tax
18 refunds. The Federal Reserve should ensure
19 that Chase will end its involvement in
20 Refund anticipation Loans upon completion of
21 the acquisition.

22 As a side note, the Bank has been
23 aggressive in contacting community grantees
24 and asking them to testify. I would ask you
25 to discount testimony from grantees from

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2 this perspective.

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Thank you for the opportunity to

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testify.

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MS. BRAUNSTEIN: Thank you.

6 Mr. Williams.

7 MR. WILLIAMS: Good afternoon. My name
8 is Lloyd Williams. I serve as President,
9 CEO, of the Greater Harlem Chamber of
10 Commerce. Our Chamber this year is
11 celebrating its 108th year of continued
12 service to the upper Manhattan area in
13 particular and New York City in general. We
14 are proud to have in excess of 1800 members
15 of our Chamber. Amongst that membership, we
16 have 48 banks and financial institutions.

17 So, with that in mind, we have a pretty
18 decent understanding of what most of the
19 banks and financial institutions have done.
20 Without question, all banks are behind in
21 terms of what their commitment can and
22 should be to the issues of small business
23 development, community development, loans,
24 etc. But JPMorgan Chase is, without
25 question, in the forefront of vision and

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2 leadership on the part of the banking and
3 financial communities. In the fields of
4 community development, economic development,
5 CRA.

6 The hands-on connection of JPMorgan
7 Chase is simply not matched by any of the
8 other banks. They just don't talk about
9 what they are doing. They actively
10 participate, whether it is by sitting as
11 advisers, consultants as loan executives or
12 board members. Working particularly with
13 community development division of Chase,
14 Mark Willis and his excellent team of Louis
15 Jones, John Imperial, and others.

16 It is my view that when I look at the
17 merger with Bank One, my concern is that I
18 hope Bank One does not pull back JPMorgan
19 Chase. The issue is in terms of Bank One
20 being able to keep focused on the issue of
21 community development, small-business
22 development, CRA issues, and the broader
23 outreach which I see with JPMorgan in terms
24 of their ability to connect dots, to connect
25 the issue of jobs, the community safety

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2 health issues, small business, cultural
3 development, things of that nature -- to
4 connect the dots so that you see the whole
5 picture.

6 We are very pleased in Harlem now,
7 where it is pretty much recognized that
8 there is a second Harlem Renaissance and
9 people are recognizing that and giving much
10 attention and credence to it. But I can say
11 what I would say in front of any financial
12 group: Without question, JPMorgan Chase is
13 the institution, when no other bank was
14 there in a leadership role, that stepped to
15 the forefront, and they are the group that
16 has allowed for many other banks now to come
17 to our Harlem community to have a broader
18 vision and see a better picture.

19 We very much support this proposed
20 merger, and we challenge Chase Bank and Bank

21 One to find a way to do more with its
22 combined resources and to do it better. We
23 think at the end of the day that if they do
24 so, all parties will benefit. So we are
25 here to support the proposed merger.

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2 MS. BRAUNSTEIN: Thank you very much.
3 Thank you to this panel. Would the next
4 panel come up, please.

5 Welcome to our next panel. You have
6 been around, you have heard it a million
7 times, but I will say it again: We have
8 five minutes per person. We appreciate
9 people sticking to the timetable because we
10 do have a lot of people to hear from today.
11 The timekeepers are right there and will
12 give you signs. Please heed them.

13 If you have any written copy of your
14 statement, please drop it off with the
15 gentleman in the center, who is our
16 recorder.

17 Lastly, before you begin speaking,
18 please state your name and your
19 organization. For the record. With that,
20 we will begin. Mr. Gallagher.

21 MR. GALLAGHER: My name is David
22 Gallagher. The organization is the Center
23 for Neighborhood Economic Development.

24 I'd like to begin by thanking the
25 Federal Reserve for giving the Center and

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2 other community organizations the
3 opportunity to comment on this matter.

4 My name is David Gallagher. I am the
5 Executive Director of the Center for
6 Neighborhood Economic Development. The
7 Center provides technical assistance,
8 training, and other services to Local
9 Development Corporations (LDCs) and other
10 locally based economic revitalization groups
11 in the five boroughs of New York City,

12 primarily in low and moderate income
13 neighborhoods. The Center also provides
14 information outreach regarding LDCs and the
15 services they provide to local businesses,
16 informing public and private decision-makers
17 of the valuable network of local partners
18 that exists in the five boroughs.

19 Because the Center and the LDCs it
20 serves are concerned with small business
21 preservation and development, banks are
22 crucial partners in much of the work we do.
23 Banks provide funding for economic
24 development organizations, provide funding
25 for neighborhood economic development

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2 programs -- for example, capitalization for
3 revolving loan funds -- and provide
4 technical assistance to local groups and to
5 neighborhood businesses and aspiring local
6 entrepreneurs. In our experience, JPMorgan
7 Chase has been a reliable supporter of local

8 economic development in all of the ways I
9 just described, throughout the "gorgeous
10 mosaic" of New York City.

11 When the Center was first formed, in
12 1992, JPMorgan Chase was the Center's first
13 funder, a key to our securing of government
14 support, forming a funding partnership that
15 has sustained the Center ever since.

16 The bank has funded the Center's
17 publication of citywide directories of LDCs
18 and small business loan funds that help to
19 market LDC programs to small businesses and
20 to public and private referral agencies,
21 thus broadening the reach of local programs.
22 They have funded conferences, seminars and
23 workshops that have helped educate LDCs
24 about new and existing revitalization
25 resources, and have showcased LDC efforts to

3 helping bring local groups into contact with
4 public and private funders. They have sent
5 bank personnel to LDC workshops to explain
6 the bank's lending programs and other
7 resources that small businesses can access,
8 giving LDC staff greater familiarity with
9 the requirements of both special
10 neighborhood-oriented bank programs as well
11 as mainstream banking resources that are
12 available.

13 In all of these instances of program
14 assistance the bank has not only provided
15 initial aid but has provided repeated
16 assistance periodically over the years since
17 the Center first received support from
18 JPMorgan Chase.

19 For all of the reasons I have noted
20 above, we urge that you grant approval of
21 the proposed merger. JPMorgan Chase has
22 established a firm record of committing
23 itself to community revitalization goals and
24 then sticking to that goal and achieving it,
25 continuing funding even in difficult

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2 financial times. This consistency has made
3 the bank a most valued partner for the
4 Center and for LDCs throughout the city, and
5 we are confident that the merger will only
6 result in a continued and strengthened
7 commitment to community revitalization.

8 In conclusion, let me thank the Board
9 once again for providing a forum for comment
10 on the proposed merger. I also reiterate
11 our support for approval of the merger.
12 JPMorgan Chase's excellent, longstanding
13 track record in community revitalization
14 activities virtually commands an expectation
15 of continued devotion to CRA's ideals.
16 Thank you.

17 MS. BRAUNSTEIN: Thank you.

18 MR. GONZALEZ: My name is Ernest
19 Gonzalez. I represent the Long Island
20 Hispanic Chamber of Commerce. Our
21 membership is close to about 250 members.
22 Most of the members reside in the Long

23 Island region, which is Suffolk County and
24 Nassau County.

25 I have known Chase Manhattan Bank for

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2 fifteen years, and I have found that Chase
3 Manhattan has always been active in
4 supporting the Hispanic community,
5 especially its business. In many cases they
6 have taken the opportunity to support some
7 of the businesses that were funded in terms
8 of start-up business, and they have worked
9 with our organization that has supported
10 that.

11 Also, I found out that Chase Manhattan
12 has always taken the role to support and
13 assist, by having workshops and other
14 learning tools.

15 Chase Manhattan Bank has also supported
16 an organization called Children with
17 Learning Disabilities. I am very proud to
18 say I am a member of that organization, I

19 know that they gave money to raise a center,
20 and also capitalization of a new therapy
21 area.

22 Chase Manhattan Bank has worked for an
23 organization called SAS, a hospital, and
24 they have supported the gala, which utilizes
25 that money for the support of a new

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2 emergency room at Nassau Hospital.

3 In my fifty years' experience, I have
4 experienced a professionalism and support by
5 the Chase Manhattan Bank. The merger of
6 JPMorgan Chase and Bank One I support. I
7 feel in my heart that the relationship is
8 more important at this point than anything
9 else.

10 I know that from time to time, when we
11 as businessmen have certain problems, I can
12 always reach Mark Willis or anyone for
13 support, and they are always there to

14 support these groups.

15 It is the desire and feeling of the
16 Long Island region that the Federal Reserve
17 Bank should wholeheartedly support this
18 merger.

19 Thank you very much.

20 MS. BRAUNSTEIN: Thank you.

21 MR. McDONALD: My name is George
22 McDonald. I am the founder of the Doe Fund.
23 I want to thank the Federal Reserve for the
24 opportunity for us to comment here today.

25 Our organization helps homeless people

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2 in New York City. We run a very successful
3 work program called Ready, Willing and Able.
4 You may see the men in blue that clean up
5 the streets of Manhattan and in some of the
6 other boroughs.

7 In 1999, the City of New York issued a
8 request for a proposal to replace half of
9 the Bellevue Men's Shelter, which is a

10 thousand-bed facility on 30th Street and
11 First Avenue, and they required that the
12 provider of these services come to the city
13 with a site and with financing, at which
14 point the city would give a contract to
15 start when a new facility was built.

16 As you can imagine, it wasn't a very
17 easy thing to go out to lending institutions
18 to get a loan, a construction loan for \$23
19 million. And again this was 1999. The only
20 bank in New York City that would consider
21 the proposal and actually commit to doing
22 the financing was JPMorgan Chase
23 development. We went ahead and put in our
24 response to the request. We were granted a
25 contract, \$182 million over 20 years, that

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2 said the contract will kick in when you
3 build the facility and it is licensed by the
4 state for us to operate as a homeless

5 facility. So it was a tremendous risk on
6 behalf of JPMorgan Chase to do this, because
7 at the end of the day, if anything had
8 happened, they would have been left with
9 this facility that wasn't licensed to be
10 operated. They took a tremendous risk, and
11 of course, in light of subsequent events,
12 the tragedy of 9/11 kind of threw a monkey
13 wrench into it and it was very difficult
14 then. But, in spite of that, they went
15 ahead and continued with the financing. I
16 am happy and pleased to say that on December
17 9 of last year the facility opened in East
18 Williamsburg, and they are about to do the
19 permanent financing.

20 But I really came here today to speak
21 on behalf of JPMorgan Chase and to ask you
22 to approve this merger, because we would not
23 have been able to get any other lending
24 institution in the City of New York to give
25 us this acquisition construction loan. And

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2 I know because I tried.

3 So, again, I want to reiterate I would
4 ask for your approval of this. Thank you
5 very much.

6 MS. BRAUNSTEIN: Thank you.

7 MR. MORGO: Good afternoon. I am Jim
8 Morgo, President and Chief Executive Officer
9 of the Long Island Housing Partnership. I
10 speak in support of the JPMorgan Chase
11 Bank's proposed merger.

12 The Long Island Housing Partnership
13 develops housing development sponsors and
14 facilitates affordable housing, provides
15 pre- and post-purchase home ownership
16 counseling, administers technical assistance
17 programs and low-cost loan funds, and brings
18 economic development to low-income
19 communities.

20 In its first fifteen years, the Housing
21 Partnership produced 1,500 affordable loans,
22 most of them were sale loans, and through
23 its counseling programs enabled more than
24 10,000 low- to moderate-income families to

25 achieve homeownership.

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Chase Manhattan Bank was a founding

3

member of the Housing Partnership fifteen

4

years ago.

5

Let me give you an idea of the region

6

in which the Housing Partnership works.

7

Long Island has a total population greater

8

than nineteen states, and if we were a city,

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we would be the fourth largest city in the

10

United States.

11

Creating safe and affordable homes in a

12

disjointed, fragmented suburban region like

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Long Island is very different from doing so

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in an urban area. Long Island is a region

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of 2 counties, 13 towns, 2 cities and 95

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villages. Each one has its own jurisdiction

17

over housing development. Municipal

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approvals take years to secure.

19

Although basically in New York City,

20

JPMorgan Chase has responded to the suburban

21 needs of Long island. JPMorgan Chase has
22 made several millions of dollars of
23 construction and permanent loans to the
24 Housing Partnership's developments. In so
25 doing, it has manifested patience and

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2 understanding of the very lengthy suburban
3 development process.

4 Let me give you a recent example. In
5 2002, JPMorgan Chase funded a \$6.8 million
6 construction loan for 44 homeownership
7 units, those homes to be sold to families
8 with incomes under 50 percent and 34 of
9 those homes to families with incomes less
10 than 80 percent of the Long Island region
11 median income. It was not an easy loan.
12 The development, Millennium Hills, in
13 upscale Melville, in the town of Huntington,
14 includes public housing units along with the
15 44 affordable for-sale units. Millennium

16 Hills construction had been stalled for
17 nearly 20 months. But because of the bank's
18 responsiveness, especially the
19 responsiveness of Mark Willis, 44 families
20 will be homeowners this summer -- families
21 who otherwise would never, never have owned
22 a home, especially on high-cost Long Island.
23 The 44 homes available at Millenium Hills
24 generated 5,000 requests for applications,
25 with close to 1,300 applications returned.

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2 Each and every one of those applications had
3 to be reviewed three times. JPMorgan
4 Chase's community development group,
5 personnel from that group, volunteered to
6 assist the Housing Partnership in the
7 arduous task of reviewing these applications
8 and keep the development moving. The
9 involvement with Millennium Hills is but one
10 illustration of JPMorgan Chase's support of
11 our work on Long Island.

12 It has granted a \$250,000 no-interest
13 revolving loan to the Housing Partnership,
14 which we, in turn, gave to our
15 community-based partners to enable them to
16 develop and rehabilitate critically needed
17 affordable housing. The revolving nature of
18 the loan allows its maximum use over the
19 years. Countless Housing Partnership
20 homeowners receive their fair and affordable
21 mortgages through JPMorgan Chase's mortgage
22 division.

23 Finally, because of a construction loan
24 from the bank's small-business division, in
25 1999 the Housing Partnership, in concert

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2 with community groups in Wyandanch, Long
3 Island, in the Town of Babylon, was able to
4 bring that low-income minority community its
5 first supermarket in a generation.

6 In short, the Long Island Housing

7 Partnership supports the proposed merger
8 because of JPMorgan Chase's responsiveness
9 to the home ownership needs of Long
10 Islanders and the low-income development
11 needs of Long Island communities.

12 You know, we frequently view mergers
13 with some suspiciousness and unpleasantness
14 because we lose private-sector investment
15 partners. But in this proposed merger the
16 Housing Partnership will not be losing a
17 past partner, but rather it will be gaining
18 a strengthened, consistent, reliable and
19 responsive community investment partner.

20 Thank you for the opportunity to
21 testify.

22 MS. BRAUNSTEIN: Thank you.

23 MR. SEGALL: Good afternoon. My name
24 is Maurice Segall. I am Deputy Director of
25 the Pro Bono Partnership. We are a

3 groups disadvantaged. We don't provide
4 service to individuals. It is pro bono
5 services to nonprofit groups, services in
6 our community. We work in the suburban
7 tristate area, Westchester County and the
8 surrounding area, Fairfield County,
9 Connecticut, and Northern New Jersey. Our
10 clients work in the areas of economic
11 development, neighborhood revitalization,
12 health and human services and affordable
13 housing, and we serve these groups with
14 their business legal needs, helping them to
15 address their day-to-day legal needs so they
16 can more strongly and better address them in
17 our community. We do that by including
18 volunteer lawyers from corporate America who
19 volunteer their services through us to
20 provide these services. In addition, we
21 provide many educational workshops for the
22 nonprofit community on a variety of topics.

23 One of our strongest supporters in
24 pursuing our mission has been our work with
25 Chase. When we started six and a half years

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2 ago, in late 1997, we realized the
3 importance of working with financial
4 institutions not only to support our efforts
5 financially but in order to get to know the
6 nonprofit community.

7 And, by the way, the leading financial
8 institution in our catchment area, working
9 in the community, has been Chase. We work
10 very closely with the streetbankers in
11 JPMorgan Chase in our area, particularly
12 Dennis McDermott in Westchester, Bob
13 Mantilia in Fairfield County, and Etta Denk
14 in Northern New Jersey. We found that our
15 partnerships with these folks and the other
16 people at JPMorgan Chase have been pivotal
17 in the success and growth of our and their
18 work in the success and growth of the
19 nonprofit sector.

20 Just by way of example, our office is
21 located in White Plains, New York. We have
22 an office in New Jersey. So we are well

18 Chase and streetbankers with our educational
19 workshops. We offer 30 to 40 workshops a
20 year on a wide variety of legal topics,
21 employment law, corporate governance,
22 volunteerism, risk management -- a variety
23 of topics that help to identify the legal
24 needs of the nonprofits and give them
25 practical ways to address those legal needs.

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2 We work with them to come up with topics, to
3 come up with locations, CRA, and it has been
4 just a wonderful ongoing partnership.

5

6 JPMorgan Chase provides financial
7 support for the series of workshops for us
8 and direct financial support to the Pro Bono
9 Partnership in order for us to achieve our
10 mission.

11

12 We are very pleased to support Chase.
13 We have not worked with Bank One, but we are
in support of this merger and hope that the
merged entity will continue its wonderful

14 support in the areas in which we work.

15 Thank you very much for the
16 opportunity.

17 MS. BRAUNSTEIN: Thank you, and thank
18 you to the entire panel.

19 The next panel will come up, please.

20 Welcome. I will just restate the
21 procedures here. Everybody has five minutes
22 for their presentation. We are on schedule,
23 as you know. We have a lot of people to
24 hear from, so we would appreciate your
25 paying attention to the timekeeper sitting

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2 in the front row, who will hold up times.
3 When it is time for you to wrap up, then you
4 will have two minutes left.

5 In addition, if you have a printed
6 published statement, please leave a copy
7 with the gentleman sitting right in the
8 center, who is our reporter.

9 Lastly, when you start speaking,
10 please state your name and organization for
11 the record.

12 With that, Mr. Carbone, do you want to
13 lead us off?

14 MR. CARBONE: Yes. I do thank you very
15 much.

16 My name is Joe Carbone. I am President
17 and Chief Executive Officer of The WorkPlace
18 Incorporated. We are the Southwestern
19 Connecticut's Regional Workplace Development
20 Board. We are a 501(c)3, and we receive
21 money from the federal government, the state
22 government, and we have raised a lot of
23 money from the private sector, in order to
24 provide a workforce opportunity for the
25 people of our region who serve the needs of

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2 the businesses of our region. Our mission
3 is to really develop a well-educated, a
4 well-trained and a self-sufficient workforce

5 so that our businesses can compete and
6 people can take full advantage of what we
7 have now in the global markets.

8 The WorkPlace has had a more than
9 50-year record in this business, and the
10 process of our serving the main centers of
11 our activity are what's called one-stops, a
12 very familiar term in the American workforce
13 system. A one-stop is where the rubber
14 meets the road in this business, where
15 people access programs that are offered by
16 the federal workforce system and that of our
17 states as well.

18 We serve people who are unemployed,
19 people who are underemployed and, the latest
20 addition, folks that we do in fact provide
21 services to are low-wage workers, people who
22 are gainfully employed but in a low-wage
23 worker category; certainly to folks with
24 disabilities who drop out, older workers,
25 those moving from welfare to work, and a

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2 whole bunch of other people.

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Like many not-for-profits who have some reliance upon government resources, we have faced the problems of a number of years of seeing our resources from the Feds being reduced and in some cases from our states as well. Unemployment having risen, we are being charged to serve more people with less money. That meant that we had to turn to businesses and foundations for a lot of our financial support.

I am proud to say that one of the first that came to our support and one of our strongest supporters has been the JPMorgan Chase Foundation and their bank. My sense in the last eight years of being CEO of The workPlace is that this was an institution that kind of recognizes the real relationship between skill enhancement and economic opportunity. Obviously, people need to buy homes at some point in their lives, but it was important that this bank clearly portrayed the need for people to

25 become familiar with technology and to

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2 engage in programs of lifelong learning.

3 That in and of itself would provide a more

4 worthy opportunity to increase their

5 standard of living.

6 So this was a different kind of a bank.

7 It was a different kind of a foundation.

8 They were not just a philanthropic group,

9 but they were a group that understood this

10 kind of relationship.

11 They helped us in two ways. Obviously,

12 they helped us with money, and I will get to

13 that in a second, but they gave us

14 personnel. Bob Mantilia, who is our

15 streetbanker in the county that I serve, was

16 not just another person on our board,

17 another business leader. He really gave of

18 himself and got himself in the mix of what

19 we needed to raise from our private sector

20 and from foundations. We raised over \$250
21 million in the past six years, and Bob and
22 the bank were with us every step of the way
23 when we had to make a campaign to make that
24 happen. Bob Mantilia was central to that
25 effort. We are certainly grateful to him,

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2 grateful to the bank, for giving us a person
3 of that caliber who understood the larger
4 picture of our business.

5 This Foundation and this bank has
6 helped us and certainly provided us with
7 more than \$300,000 over the past several
8 years. They have done so in a whole bunch
9 of ways.

10 One that I think is certainly worthy of
11 mentioning is that when our state went
12 through some turmoil this year with not
13 having adequate money, they sought to close
14 two of our one-stop centers -- one of them
15 actually in Stamford, Connecticut, one of

16 the most vibrant economic engines in our
17 state. It would have been a sin to close
18 that center, but JPMorgan Chase came to the
19 rescue of that center, provided us our first
20 grant to make it happen.

21 We at The WorkPlace very, very strongly
22 support this merger. We see it as an
23 opportunity to take the culture of both of
24 these institutions, bring them together, and
25 be able to serve more people. I think in

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2 our business, which, as I said before, would
3 be not-for-profit, we have come to recognize
4 that bigger is better. You can't be
5 everything to everybody. In this case you
6 are taking two banks who have admirable
7 records in serving people in the communities
8 of their region, putting them together, and
9 we see them as a chance to do more for more
10 people.

7 course of those years, when some twenty-five
8 years ago we could not find a lender to make
9 investments in the community, where most of
10 the reports from the media were that it was
11 a community in decline, JPMorgan stepped up.

12 During the course of these years,
13 JPMorgan has invested directly in projects
14 that I am involved in, more than \$60
15 million. We have built more than \$60
16 million largely because of that
17 relationship, which has allowed us to
18 leverage the resources that we have got from
19 JPMorgan Chase. We built more than 630
20 units of senior housing and assisted-living
21 housing -- 630 units of homes that have been
22 purchased by individuals where JPMorgan
23 holds most of the mortgages. We have
24 thrived, as the community has grown, in
25 large measure because of these developments,

2 and the interest in the community has come
3 to such a level that we have been able to
4 generate both the Federal Aviation
5 Administration Regional Building and the
6 Federal Drug Administration Regional
7 Building, which is 2,000 additional jobs in
8 that community.

9 Furthermore, the Air Train project
10 could not have happened without the full
11 support not only of JPMorgan Chase but, of
12 course, other banks. But because of its
13 consistency in investing in the community,
14 it presented an image for the community that
15 was sellable to those who would make
16 ultimate investments in trying to make it a
17 better place in which to live.

18 I also served on the Advisory Board,
19 the something based Advisory Board of
20 JPMorgan and have been involved in Houston,
21 Dallas, and New York, and in those cities
22 have been able to see the same kind of
23 commitment and dedication on the part of the
24 bank in terms of its desire to ensure that
25 inner-city communities had access to the

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same capital resources that any other

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community would have, and to see those

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resources made available in such ways that

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communities that would otherwise die are now

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communities that are thriving, not only in

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terms of residential development, but that

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which comes with residential development,

9

and that is commercial development.

10

When you look at a community like mine,

11

where heretofore there was not even a

12

supermarket, there were not even any

13

shopping malls, and look today and see

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people wanting to come into that community,

15

it is in large measure because of the

16

participation of JPMorgan Chase.

17

I don't know what Bank One has done,

18

but I am certain of one thing: The level of

19

the commitment of JPMorgan Chase brings a

20

degree of strength that allows us to have a

21

level of confidence that the two merged

22 banks will be able to do even greater works.
23 This is a commitment that I don't think will
24 be lost simply because the bank gets bigger.
25 As a matter of fact, I think bigger will be

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2 better in this instance.

3

Lastly, let me say to you, when

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JPMorgan made a mortgage for my church, \$15

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million, which at the time was the largest

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that they had made for building a church,

7

they then went back and set up a whole

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division to speak to these churches and

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communities who could not get loans, and

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what they say to me is, they have never lost

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a dollar making a loan to a church.

12

So I would hope that we have more

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moneys available to build Houses of God in

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our community where people seem to have lost

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their direction. I believe this merger is

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one that ought to happen, its season is

17 here, and with your commitment I know that
18 it will happen. Thank you very much.

19 MS. BRAUNSTEIN: Thank you.

20 Mr. Frey?

21 MR. FREY: My name is William Frey,
22 Senior Vice President of The Enterprise
23 Foundation. Good afternoon.

24 The Enterprise Foundation appreciates
25 this opportunity to testify in support of

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2 the application by JPMorgan Chase & Company
3 to merge with Bank One Corporation.

4 We commend the Federal Reserve Board
5 for agreeing to the recommendations of both
6 the banks and community advocates to hold
7 public hearings on this important proposed
8 merger.

9 Enterprise is a national nonprofit
10 organization.

11 The Foundation and its subsidiary
12 organization, The Enterprise Social

13 Investment Corporation -- ESIC -- have
14 committed more than \$5 billion to finance
15 more than 160,000 homes.

16 Almost all of them have been for low-
17 and very-low-income families and in low- and
18 very-low-income communities.

19 Most of the resources we bring to bear
20 support the activities of community-based
21 organizations.

22 Enterprise's network of grassroots
23 groups numbers 2,500, in more than 850
24 locations nationwide.

25 Enterprise strongly supports the the

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2 proposed merger between JPMorgan Chase and
3 Bank One. Our support is based on our long
4 working relationships with both institutions
5 on a variety of initiatives in multiple
6 locations.

7 Our partnerships with JPMorgan Chase

8 and Bank One have been critical to our
9 ability to achieve our mission of helping
10 people up and out of poverty by providing
11 affordable housing and revitalizing
12 communities.

13 One example is these institutions'
14 extraordinary commitment to affordable
15 rental housing for low-income families
16 through the Low Income Housing Tax Credit
17 program.

18 Since 1994, JPMorgan Chase, in
19 partnership with ESIC, has invested more
20 than \$247 million to finance nearly 23,000
21 affordable homes through the Housing Credit.

22 Bank One has also worked with ESIC to
23 finance Housing Credit apartments since 1989
24 and has invested more than \$101 million to
25 create more than 19,000 affordable homes.

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Enterprise has also worked with
JPMorgan Chase and Bank One to provide

4 innovative, low-cost financing for housing
5 and community development activities around
6 the country.

7 JPMorgan Chase has provided more than
8 \$8 million in low-interest loan funds, which
9 Enterprise has leveraged with other public
10 and private funds to make more than \$54
11 million in loan commitments. These funds
12 have helped over 150 community-based groups
13 develop 21,000 affordable homes in ten
14 cities.

15 In New York, JPMorgan Chase has
16 provided funding, mortgage and equity
17 investments and leadership to the Enterprise
18 program that has supported the development
19 of 16,000 units of low-income housing.

20 The bank's support was also
21 instrumental in a housing and workforce
22 program that was responsible for 650 public
23 assistance recipients finding employment and
24 maintaining jobs for at least 180 days.

25 And JPMorgan Chase has been our partner

1
2 in Rochester, New York, lending over \$25
3 million to the Rochester Housing Partnership
4 Fund Corporation as the lead lender offering
5 homeownership opportunities for low- and
6 moderate-income families.

7 It has been the Enterprise' experience
8 that JPMorgan Chase and Bank One are
9 committed to community reinvestment, willing
10 to work with community-based organizations
11 and able to bring tremendous capital and
12 expertise to tough community development
13 challenges.

14 We understand, as we have heard today,
15 that many other organizations have similar
16 views and share our recommendation that the
17 Fed approve the merger application.

18 We also understand, as we also have
19 heard today, that some have concerns about
20 the proposed merger. We encourage the Fed
21 to take seriously these concerns and
22 encourage the banks to continue to listen to
23 and work with those who have raised them.

24 We appreciate this opportunity to bring
25 our testimony to the Fed.

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2 MS. BRAUNSTEIN: Thank you very much.

3 MR. SCHECK: David Scheck, New Jersey
4 Community Capital.

5 On behalf of New Jersey Community
6 Capital, I appreciate the opportunity to
7 comment on the proposed combination of
8 JPMorgan Chase and Bank One. New Jersey
9 Community Capital invests intellectual and
10 financial capita in New Jersey's emerging
11 markets. New Jersey Community Capital
12 includes New Jersey Community Loan Fund, a
13 \$25 million nonprofit financial institution,
14 a \$2.5 million asset management firm,
15 including funds for early care, affordable
16 housing, economic development and small
17 businesses; a consulting group providing an
18 array of product services and training to

19 service providers; a newly formed nonprofit
20 lending in the area, and Equitable Partners,
21 a partner in our \$15 million Tax Credit
22 Fund.

23 Since its founding in 1987, New Jersey
24 Community Capital has committed nearly 400
25 loans of \$7 million in the housing community

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2 services and small business sectors. New
3 Jersey Community Capital was the 2003
4 recipient of the CDFI Excellence Award for
5 Community Impact, for demonstrating efforts
6 that make a difference in the communities it
7 seeks to serve.

8 As Executive Director of New Jersey
9 Community Capital, I am always concerned
10 about consolidation in the banking sector.
11 However, I have every reason to believe that
12 this merger will be in the best interests of
13 New Jersey, based in large part on the fact
14 that Chase has worked so hard to develop in

15 this market area. Chase is a nationally
16 recognized leader in terms of community and
17 economic development, affordable housing,
18 financial institutions and philanthropy.
19 The products and services it has brought to
20 the state are broader and deeper than what
21 previously existed. The institution is
22 renowned for its creativity and innovation
23 and it brings capital and resources to the
24 marketplace in far greater amounts than many
25 other financial institutions.

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2 JPMorgan Chase is a leader, and its
3 ongoing commitment to community development,
4 as evidenced by its continuous outstanding
5 CRA ratings, assure that other financial
6 institutions will replicate its offerings in
7 order to remain competitive. New Jersey
8 Community Capital utilizes the following
9 offerings from the JPMorgan Chase family:

10 Retail deposit services, multimillion dollar
11 credit facilities in the forms of lines of
12 credit to the Community Loan Fund, standby
13 letters of credit to enhance investments
14 from other financial institutions with lack
15 of sophistication to invest in community
16 development financial institution, capital
17 in terms of grants to the Community Loan
18 Fund and two of our managed asset pools.
19 They supply operating support and
20 programmatic support to our community.

21 New Jersey Community Capital also
22 benefits from representation by JPMorgan
23 Chase on its employment board.

24 JPMorgan Chase is a valued partner in
25 the community and because Bank One does not

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1
2 have a presence in the New Jersey
3 marketplace, the expectation is that the
4 successful relationships Chase has developed
5 will be maintained, if not expanded, picking

6 the combined entity's large capital base.

7 We trust the bank will reaffirm its
8 commitment to New Jersey and the combined
9 bank, JPMorgan Chase and Bank One, will
10 continue Chase's philosophy of management of
11 achieving outstanding ratings. We also
12 suggest that senior management in the
13 institution be continually updated and
14 educated in the field of community
15 development finance as well as with the
16 accounts.

17 With these provisions, I am confident
18 the combination will be in the best interest
19 of New Jersey Capital and the individuals it
20 serves.

21 Thank you for your consideration.

22 MS. BRAUNSTEIN: Thank you.

23 MR. PAGAN: Good afternoon. I would
24 like to thank the Federal Reserve Board for
25 permitting us to comment on this merger.

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My name is David Pagan; I'm the

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administrator of Southside United Housing

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Development Fund Corporation.

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Los Sures is a Community Development

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Corporation established in 1972 for the

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purpose of providing housing services to the

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Southside area of Williamsburg. Our mission

9

is to improve the housing stock that is

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being used by the low-income residents of

11

the Southside of Williamsburg. Since our

12

inception we have worked with over 500

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buildings, 4,500 units for low- and

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moderate-income families. We have

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successfully developed over 2,500 units via

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new construction or rehabilitation of vacant

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apartment buildings in the area. We are one

18

of the best-known, Latino, nonprofit housing

19

agencies in the City of New York. We are

20

also well known for our tenant organizing

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unit that provides help to those families

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which are in danger of losing their

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residences. We work with over 50 buildings

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on a regular basis preventing displacement.

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The Southside of Williamsburg is a poor

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2 neighborhood in the shadows of the
3 Williamsburg Bridge. The neighborhood is
4 being transformed as we speak. Williamsburg
5 has been inhabited by new generations of
6 immigrants. Lately it has been attracting
7 younger and more professional tenants
8 bringing displacement problems to the
9 long-time residents of the area.

10 Our organization has been involved with
11 JPMorgan Chase since our founding. At the
12 beginning it was called Chemical Bank. With
13 the merger with Manufacturers Hanover Trust
14 it kept the name of Chemical. When it
15 merged with Chase, it became Chase, and the
16 name changed again with the merger with
17 JPMorgan. Through those years we saw the
18 number of local branch banks drop as the
19 banks were looking to get rid of excess
20 branches.

21 We must say that the merging
22 institution maintained a good relation with
23 our organization. There were lines of
24 credit given to us, beginning with
25 \$25,000 -- that's the time we were broke --

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2 to the last one of \$320,000, and this was
3 when there was no collateral. In addition,
4 working with the mortgage division, they
5 provided over 100 mortgages to small
6 homeowners to new purchasers of the houses
7 in the area.

8 The bank also worked with us in the
9 Homeownership Transfer Program, which gave
10 the opportunity to groups of apartment
11 dwellers to purchase as a co-op the
12 buildings where they resided.

13 Last but not least, it has provided
14 housing grants to our organization. Those
15 grants are not restricted and gave us the
16 flexibility to provide services, which

17 otherwise we would not be able to give. And
18 they have never dwindled in the amount that
19 they have given us.

20 We favor the merger. The past mergers
21 have not been detrimental to our
22 organization.

23 In conclusion, we favor the merger of
24 JPMorgan Chase and Bank One. Our
25 relationships have always been with the New

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2 York banks, not with Bank One, but we still
3 favor the merger. Thank you.

4 MS. BRAUNSTEIN: Thank you.

5 MS. TROIA: Hi. Thank you, and I am
6 sorry I was late.

7 I am Rev. Terry Troia, a minister of
8 the Dutch Reformed Church, the oldest
9 incorporated entity in these United States
10 and the oldest continuous Protestant
11 denomination in this country. I am the

12 pastor of the New Utrecht Reformed Church of
13 Bensonhurst, Brooklyn. I have also served
14 for the last 20 years as the Project
15 Director of the Interfaith Ministry serving
16 the hungry and homeless on Staten Island for
17 more than fifteen years.

18 I have a close working relationship
19 with JPMorgan Chase in both community
20 development and low-income housing in the
21 Borough of Staten Island. I am one of the
22 longest-serving members of the Community
23 Advisory Board, though not the oldest
24 member, I am serving for well over a
25 decade. Our interfaith-based not-for-profit

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2 entity, Project Hospitality, in Staten
3 Island has been the consistent recipient of
4 housing development funds from JPMorgan
5 Chase Bank and its earlier entities for more
6 than fifteen years. JPMorgan Chase has
7 basically been doing business with the faith

8 communities long before "faith based" became
9 a popular thing to do.

10 The commitment to affordable housing
11 and community development that JPMorgan
12 Chase has maintained in the Staten Island
13 community and has been unparalleled in these
14 last fifteen years of relationship. And I
15 don't say that lightly, knowing that our
16 work has garnered much support in recent
17 years for many other banks in our
18 community -- and we are grateful to each of
19 them.

20 But JPMorgan, then Chemical Bank, was
21 the first to reach out and substantially
22 financially support low-income housing in a
23 borough that had hidden homelessness and
24 some unease in our community about the
25 presence of the poor. Their sustained

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2 support has resulted in the development or

3 management of more than 100 permanent
4 apartments for disabled, formerly homeless,
5 persons over the last decade and a half,
6 which is a major accomplishment. They never
7 reneged on a commitment for funding despite
8 intense community opposition at times to
9 some of our projects. Basically, they
10 didn't need us to complete an outstanding
11 portfolio of community reinvestment. But
12 they did more than establish the right
13 relationship in Staten Island; they did the
14 right thing, consistently supporting housing
15 development within disenfranchised and
16 low-income communities on Staten Island.

17 Most recently, they have launched a
18 financial literacy campaign, realizing the
19 critical role literacy -- the ability to
20 read and add and subtract numbers -- played
21 in the lives of disempowered poor persons
22 with low literacy rates. They did not just
23 send curriculum; they sent bankers to teach,
24 exposing the for-profit community to the
25 needs and life situations of the persons in

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our community that are most in need.

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This year JPMorgan Chase embarked on a new community development project with us, sponsoring two potential leaders from disenfranchised new immigrant communities to participate in a CIVIC Institute sponsored by the College of Staten Island. This new initiative, with financial backing for JPMorgan Chase, will cultivate the immigrant leaders of tomorrow among our newly arrived immigrant communities today. Their foresight and commitment has only brought good to our neighborhoods and increased quality of life to the poor communities we are committed to serving.

That is why, without reservation, I support the proposed merger of JPMorgan Chase and Bank One, and thank them publicly for their sustained, unwavering and courageous commitment to the disenfranchised communities of Staten Island.

23 MS. BRAUNSTEIN: Thank you very much,
24 and thank you to the entire panel. We are
25 going to take a 15-minute break, until 3:50.

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2 I would ask that the members at the next
3 panel be up here seated by 3:50.

4 (A recess was taken.)

5 MS. BRAUNSTEIN: We are missing one
6 person, but we will get started. If that
7 person shows up, he can just jump in.

8 Welcome to this panel. Just to repeat
9 the ground rules, we have two timekeepers
10 sitting over there who will wave signs at
11 you. Everybody has five minutes for their
12 presentations. We do appreciate your
13 keeping to the time frame.

14 If you have a printed copy of your
15 statement, if you haven't already given it
16 to somebody on the staff up at the
17 registration desk, please leave a copy with

18 the gentleman in the center of the room, who
19 is our recorder.

20 Lastly, when you start your statement,
21 please state your name and organization for
22 the record.

23 With that, Mr. Diaz.

24 MR. DIAZ: My name is Lautaro Diaz. I
25 am Deputy Vice President of National Council

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2 of La Raza. I am going to be reading a
3 letter from our President, Raul Yzaguirre.

4 I write on behalf of the National
5 Council of La Raza to inform you of our
6 views regarding the proposed merger between
7 JPMorgan Chase and Bank One. NCLR is the
8 nation's principal Hispanic organization,
9 representing over 300 affiliated-based
10 organizations that together serve more than
11 4 million Latinos in 41 states, the District
12 of Columbia and Puerto Rico. As an
13 organization committed to reducing poverty

14 and discrimination against and improving
15 life opportunities of 38 million Americans
16 of Hispanic descent, NCLR has a deep and
17 profound interest in the nation's financial
18 services industry.

19 NCLR typically does not take policy
20 positions on industry mergers per se.
21 However, we have been active on a range of
22 public policy issues, including the
23 preservation and strengthening of the
24 Community Reinvestment Act, supporting fair
25 housing and fair lending laws, increasing

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2 access to Financial services among
3 low-income people, and promoting
4 homeownership in the Latino community. In
5 addition, NCLR serves as a major community
6 development intermediary. We provide
7 training and technical assistance to our
8 affiliates in homeownership, housing, and

9 community development. Our subsidiary, the
10 Raza Development Fund, is the nation's
11 largest Hispanic Community Development
12 financial institution. NCLR also manages
13 the largest network of community-based
14 homeownership counseling providers in the
15 Latino community. This extensive policy and
16 program involvement has shaped and informed
17 our views on financial industry trends in
18 general and the proposed merger in
19 particular.

20 As the nation's largest ethnic
21 minority, the concerns of Hispanic families
22 are critical to decisions concerning access
23 to financial services. Latino families
24 historically have been underserved by
25 mainstream financial institutions.

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2 Approximately 35 percent of Latino families
3 and 42 percent of foreign-born Latinos do
4 not have bank accounts. The white-Latino

5 wealth gap is currently 27 to 1. Latinos do
6 not receive a proportionate number of
7 conventional mortgage loans; and the
8 white-Latino homeownership gap is 25
9 percent. The largest barriers to accessing
10 these critical financial services is a lack
11 of access to products that meet the needs of
12 low-income Latino families and a paucity of
13 comprehensive financial services in
14 low-income Latino neighborhoods. Based on
15 our initial research, NCLR has several
16 concerns regarding JPMorgan Chase's and Bank
17 One's performance in serving the Latino
18 community:

19 Neither Chase nor Bank One has Hispanic
20 representation on their respective boards of
21 directors, nor do they have any Hispanic
22 executive officers, according to the
23 Hispanic Association for Corporate
24 Responsibility, HACR. In this context, both
25 banks are well below the industry averages

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and both receive a thumbs-down from HACR.

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We believe that the merged bank must have

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proportionate representation of America's

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largest ethnic minority in its policymaking

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inner circle.

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Our initial impression is that neither

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bank serves the Latino community in

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proportion to their market share in most

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communities. Both Chase and Bank One have

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lower than average lending rates to

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Hispanics and predominantly Hispanic

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communities than their market peers. To the

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best of our knowledge, neither bank has

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executed meaningful national or regional

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partnerships with Latino-based

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organizations, and neither has been active

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in public policy issues of mutual interest

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to the Latino community and the financial

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services industry; and neither bank has

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created significant new products targeted to

22

the needs of Latino and immigrant

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communities. Both banks lack retail

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presence in low-income Hispanic communities.

25 Further, we have received reports that

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2 JPMorgan Chase has actually reduced its
3 support to the Latino community following
4 the JPMorgan Chase merger.

5 Credible sources have reported on
6 JPMC's and Bank One's questionable
7 performance in the areas of CRA performance,
8 subprime and fair lending. Previous CRA
9 commitments have been large but lack
10 specificity necessary to assess fully how
11 and where the funds are being spent,
12 particularly with respect to the Latino
13 community. Chase Manhattan Bank USA and
14 Chase Mortgage Corp. Make and sell
15 significant amounts of subprime loans, many
16 of which are high-cost loans and have
17 prepayment penalties in excess of two years.
18 While Chase's merger application and other
19 data presented to NCLR provided some

20 information as to its due diligence
21 procedures for subprime lending, the
22 narratives are vague and do not
23 satisfactorily explain how Chase is
24 protecting consumers and investors.

25 Does that sign say it is over? I can't

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2 see it.

3 MS. BRAUNSTEIN: Wrap up.

4 MR. DIAZ: While noting these concerns,
5 there are serious indications that the
6 merged bank intends to improve its
7 performance considerably in respect to the
8 Latino community in the years to come. I
9 note further the bank's strong ties to some
10 key Latino community organizations in its
11 principal Northeast service areas.

12 Second, the banks have made affirmative
13 commitments to NCLR regarding their senior
14 management's intention that the merged bank
15 will fully serve the Latino community.

16 Third, and more importantly, I am fully
17 convinced that the firm's leaders recognize
18 that it is in the interest of the merged
19 bank to significantly expand its reach in
20 the Latino market with respect to mortgage
21 financing, savings and other financial
22 investment products and community retail
23 presence. Having said that, at this time we
24 cannot make a judgment one way or another
25 regarding whether and to what extent these

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2 commitments will be fulfilled in the future,
3 and reserve the right to amend these
4 comments in light of future developments.
5 Thank you.

6 MS. BRAUNSTEIN: Thank you.

7 MS. CAROSELLI: My name is Maura
8 Caroselli. I am a Community Reinvestment
9 Organizer for New Jersey Citizen Action.
10 New Jersey Citizen Action is the state's

11 largest citizen watchdog organization, with
12 over 60,000 members and over 100 affiliate
13 organizations in our state. In the past 20
14 years we have established over 28 statewide
15 community reinvestment agreements with banks
16 totaling more than \$13 billion, and these
17 commitments are in below-market-rate
18 mortgages and community and economic
19 development loans. Chase is not one of the
20 banks with whom we have a CRA agreement or
21 business plan.

22 Just to give you a background, in the
23 past, Citizen Action had a very productive
24 relationship with Chemical Bank before it
25 was purchased by Chase. We had a specific

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2 community reinvestment agreement with the
3 bank, and Chemical took a clearly pivotal
4 role in community and economic development
5 in our state. After the merger, Chase
6 refused to sign a new CRA agreement with

7 NJCA and the Housing and Community
8 Development network that worked in New
9 Jersey, which would have outlined specific
10 products and goals for our state.

11 The result was that there is a general
12 feeling in New Jersey that the low- and
13 moderate-income population of the state did
14 not in fact benefit from the merger.

15 While we do have a productive
16 relationship with the New Jersey CRA
17 Officer, Etta Denk, and the bank does
18 support our financial education program and
19 our First Time Homebuyers Program, the
20 overall relationship with the bank and New
21 Jersey Citizen Action has been tenuous due
22 to communication problems with their
23 mortgage staff as well as a lack of
24 competitive community reinvestment mortgage
25 products in our state which have plagued

2 us..

3 We believe that in order for this
4 merger to be approved, JPMorgan Chase should
5 be required to provide more information on
6 its high-cost lending practices and
7 involvement with predatory loans -- which I
8 am going to go into a little bit more -- but
9 foremost the bank must be required to
10 provide monetary goals, product descriptions
11 and lending criteria that are specific to
12 New Jersey's low- and moderate-income
13 communities. We know from twenty years of
14 doing this work that good intentions don't
15 always count and that as banks get bigger
16 they must make a very specific public
17 commitment to get better.

18 The commitment made by the bank in the
19 Chicago area is a step in the right
20 direction, but specific monetary goals for
21 specific products will provide New Jersey
22 with evidence of the direct benefits in our
23 state from this merger. We also see this
24 commitment as a way to preserve community
25 investment in New Jersey in the face of this

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2 nationwide colossal merger.

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We are also concerned about this merger because of our past experiences with Chase and the bank's involvement with high-cost lending.

In 1999, Citizen Action discovered that Chase purchased about 40 predatory loans which were a part of a major predatory property flipping scheme involving 150 families in Northern New Jersey. This is similar to what Brigitte Amiri mentioned in a previous panel from the Southern Brooklyn Legal Services. In our case in New Jersey, Chase had a corresponding agreement to purchase and service these loans from a predatory mortgage company called Neighborhood Mortgage. These loans could have easily been identified as predatory from the loan files since in these loan files we found multiple falsified documents,

22 gift letters and signatures. It is evident
23 that the bank never conducted thorough due
24 diligence on these loans. Four years later
25 we are still working to remediate the

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2 problem in a first-of-its-kind "Workout
3 Solutions." We continue to have problems
4 with Chase as we work with them to resolve
5 their past mistakes with these loans during
6 our workout process.

7 We are also concerned that Chase makes
8 a substantial amount of high-cost subprime
9 loans and the bank is considered a subprime
10 lender by HUD.

11 We also are concerned that Chase will
12 not reveal lenders who do that business.

13 These reasons, combined with our
14 experience with the bank, do not provide the
15 Federal Reserve, we believe, with enough
16 information to show whether the bank's
17 high-cost lending practices are in fact

18 responsible or not. Both Chase and Bank One
19 should be required to provide more
20 information on its practices to assure that
21 this merger will indeed benefit the State of
22 New Jersey. Chase's inability to view New
23 Jersey as an important part of their
24 footprint and lack of market share in New
25 Jersey have translated into a lack of

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2 interest, creativity and innovation in New
3 Jersey, we believe. Chase must make a
4 commitment that New Jersey will no longer be
5 treated as a stepchild of New York. Thank
6 you.

7 MS. BRAUNSTEIN: Thank you.

8 MR. KLATSKY: My name is Wilbur
9 Klatsky. I am the President and Chief
10 Officer of the Community Development
11 Corporation. I thank the Federal Reserve
12 for inviting us to make a comment. We have

13 had a 15-year relationship with Chemical,
14 and then Chase, and then JPMorgan Chase.

15 Just to take the mystery out of where
16 we stand on the proposed merger between
17 JPMorgan Chase and Bank One, we are in
18 support of it, I guess with some
19 reservations.

20 Change is something hard, especially
21 for an older person like me, to think of as
22 having a benefit. Chase has provided CDC of
23 Long Island initially with leadership on the
24 board. The original board member from Chase
25 was a gentleman we just adored named Kevin

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2 Burns, who first introduced me to Mark
3 Willis, followed by another gentleman,
4 Vincent Pellitteri, both rather senior
5 people at the bank. Both gave their hearts
6 and souls and really enhanced the programs.

7 From that initial discussion, I must
8 comment to you that what I heard some

9 fifteen years ago is that there is a herd
10 mentality in the banking community. And
11 once I was able to secure the support of
12 Chase, other banks began to follow. At this
13 point in time, we have a partnership with
14 every money center bank in the tristate area
15 as well as every community bank and regional
16 bank. So the results and the rewards from
17 the relationship are ongoing.

18 More specifically, we were the first in
19 the country to provide home ownership for
20 Section 8 recipients. Chase, along with
21 some other banks, contributed to a loan
22 reserve, which, in turn, provided us with
23 the ability to secure \$2 million from Fannie
24 Mae in a very, very high cost area.

25 Long before that, the board of the

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corporation decided that while housing is
still a critical issue for us, creating jobs

4 was an even more critical issue, and we
5 created the first multibank in the New York
6 area. Again I was able to convince Mark,
7 struggling to some degree, but to convince
8 Mark to be the first investor into the
9 multibank, with other banks contributing,
10 and we have an ongoing lending program.

11 Following that, we were so productive
12 in providing infrastructure for doing
13 micro-lending that we had a small grant from
14 Chase of \$80,000. From that, we became a
15 micro-lender. And we are now the leading
16 micro-lender in the tristate area, with a
17 relationship with the Small Business
18 Administration.

19 We are about to be regulated because we
20 are close to securing an SBA 7A program, and
21 we are hoping that Mr. Kramer smiles upon
22 that in a relatively short time; he is now
23 considering that.

24 Beyond that, the other issue that we
25 worked out together with Chase -- and we

1
2 have no relationship with Bank One, we hope
3 we will -- is in the area of child care. We
4 became aware very quickly that in talking
5 about economic development we weren't
6 providing quality child care to blue-collar
7 workers within Long Island, which
8 incidentally stretches along for 125 miles,
9 literally from the rural area of Greenport
10 to the western boundary of Queens. So we
11 have actually created a child care loan
12 product of up to \$25,000 -- very, very
13 successful. Again, Chase is the first one
14 to come up with dollars. We have had four
15 other banks then followed suit and a number
16 of foundations. And that's another very
17 successful piece of the puzzle.

18 Chase, early on, was helpful in
19 creating a loan loss reserve, which was
20 required by the Small Business
21 Administration. In general terms, we have
22 been able to leverage what Chase has been
23 doing with every other institution.

24 We are a long-term member of the CDFI.

25 We are a long-term member of the

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2 Neighborhood Reinvestment Corporation. Much

3 of those programs require a match from other

4 institutions that are nonfederalization.

5 Chase has provided that kind of substance

6 for us, and we have grown in the last ten

7 years from a staff of a little over 20 to,

8 as of yesterday, 75, with two offices, two

9 home centers, and we have provided a range

10 of services.

11 We are becoming the major producer of

12 all major taxpayers on the Island. Chase

13 has been supportive of that. So things have

14 gone well.

15 But what concerned us, I think -- and I

16 have heard this from others -- what

17 concerned us from the street is that what is

18 the merger going to do. Is it really going

19 to enhance the financial capability of this

20 merged institution?

21 An example of that to some degree is
22 that we have a number of recoverable grants
23 from Chase which were very helpful and which
24 we are paying back. It would be a nice
25 gesture, I think, to the not-for-profit

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2 community, at least in the tristate area, if
3 all of those grants were forgiven, to leave
4 us more capital to continue on doing other
5 things. So we are supportive of that.

6 We are concerned. We think we have a
7 friend. We hate change, but we are going to
8 tolerate it and we are going to try to make
9 the best of it, and we hope to get a more
10 aggressive and a more comfortable partner
11 with a lot more assets to bring to an area
12 of the underserved on Long Island. Thank
13 you.

14 MS. BRAUNSTEIN: Thank you.

15 MS. GRIST: Thank you. My name is
16 Lisa-Nicolle Grist. I am the Executive
17 Director of Neighbors Helping Neighbors.
18 Neighbors Helping Neighbors is based in
19 Sunset Park, Brooklyn. We are an advocacy
20 organization serving tenants, home buyers
21 and others of small properties and small
22 businesses. Our mission is to enable loan
23 borrowing of people to build assets for
24 their families in Brooklyn communities by
25 securing, approving and owning their homes

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1
2 and businesses.

3 I am here to urge you to examine
4 carefully the impact of the proposed merger
5 of JPMorgan Chase and Bank One on the
6 convenience and ease of New York City
7 communities, especially as it pertains to
8 the policies of combined banks. We have
9 reason for concern about the proposed
10 merger. Through our core programs,

11 low-income tenants obtain and have approved
12 their loans, low- to moderate income persons
13 in purchasing affordable first homes.
14 Homeowners repair their homes. Local
15 shopping streets become good places to work,
16 shop and live, and community members work
17 with policymakers to create affordable
18 housing.

19 NHN has enjoyed a good relationship
20 with the Chase for many years, primarily
21 through contact with the New York Mortgage
22 Coalition. I commend Chase in founding the
23 Mortgage Coalition in the early '90s and in
24 building the coalition and holding it
25 together ever since. With Chase leadership,

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1
2 the New York Mortgage Coalition has
3 addressed an important CRA goal by
4 facilitating mortgage loans for low-income
5 and minority home buyers and neighborhoods.

6 Over the years, NHN has helped over 105
7 first-time home buyers obtain Chase
8 mortgages worth \$15 million. Chase has
9 talented and committed employees and, in
10 addition, its organizational structure has
11 contributed to its leadership in mortgage
12 lending for the low-income and minority home
13 buyers in the neighborhoods.

14 There appears to be a reduction in the
15 likelihood of continued leadership. Those
16 that formerly were in New York within the
17 community development group are now in
18 Tampa, Florida, and that does suggest that
19 those who probably would have been approved
20 in New York are being sent to Tampa.

21 NHN is a member of city and state
22 nonprofit coalitions and they help inform us
23 about the proposed merger of JPMorgan Chase
24 and Bank One. I have tried to carefully and
25 critically examine the information that they

2 provide us and I agree with much of it. So
3 I am going to at some point, as you may have
4 heard already today, shape my opinion of the
5 proposed merger accordingly, and I hope
6 these points will also influence your
7 examination.

8 As to the organizational structure, the
9 recent reorganizations seem to limit
10 JPMorgan Chase's ability to establish
11 partnerships on a neighborhood level. Its
12 programs seem to become less responsive to
13 the priorities and needs of New York's
14 low-income neighborhoods. It now works more
15 and more with larger intermediaries and
16 regional or national organizations and less
17 with community-based groups. Until
18 recently, community groups had urged other
19 banks to model their CRA activities on
20 Chase's organizational structure. Now
21 concerns are appearing that it is not only
22 in mortgage underwriting but also in grant
23 making, construction lending and other
24 areas. The organizations are particularly
25 worrisome because Bank One had committed to

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retaining a successful organizational

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structure at the time of the merger of

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JPMorgan and Chase Manhattan.

5

Another cause of concern is, we don't

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know about high-cost lending activities.

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JPMorgan Chase does make substantial

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subprime loans and has been investigated

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about its practices, and received

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confidential treatment from the Federal

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Reserve regarding the list of subprime

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persons. Bank One makes participation loans

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and loans to payday lenders, but again we

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don't have enough information about the

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extent of their financing, which lenders

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they are working with, or their due

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diligence procedures. Thus, the Federal

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Reserve and the public cannot judge whether

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their activities are predatory or abusive.

20

In some way I hope that the

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policymakers both at the banks and the

22 regulators will hear the respect and
23 appreciation that we have for our Chase
24 colleagues as well as the seriousness of our
25 request that this huge empowered institution

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2 be held accountable to community investment.

3 MS. BRAUNSTEIN: Thank you.

4 MS. DOWNES: Good afternoon. My name
5 is Toni Downes. I am the Executive Director
6 of the Westchester Residential
7 Opportunities. Westchester Residential
8 Opportunities is a 36-year-old
9 not-for-profit organization that prevents
10 homelessness, promotes equal opportunity in
11 rental and housing sales, provides housing
12 for the mentally ill, and empowers
13 first-time homebuyers with equity building
14 tools that help them in achieving their
15 goals. Our offices are in White Plains,
16 Yonkers, and Mount Vernon, and we serve

17 about 7,000 people each year.

18 I would like to restrict my comments
19 today to the services aspect of the proposed
20 merger. And by services I mean not only
21 retail banking sites as services but what we
22 have learned to count on from Chase in
23 Westchester. Although the county does have
24 a reputation as being a community of
25 affluence, I can assure you that there are

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2 many families not in that circumstance. Our
3 poverty rate is 8.8 percent, and given the
4 high cost of housing, families even 200
5 percent or 300 percent of poverty are truly
6 struggling to keep food on the table and
7 roofs over their heads. Over 35 percent
8 percent of our residents are minorities.
9 When you speak of mergers, I become
10 concerned about the loss of services or
11 resources. In the last few years, with the
12 merger with Washington Mutual and when

13 Citibank absorbed another federal home loan
14 bank, we lost two very valuable sources of
15 down payment assistance, and those have not
16 been replaced. I don't want to lose what
17 Chase provides in our community if this
18 merger takes place, and I would hope for the
19 best.

20 So, getting back to some of what we
21 have learned to count on, Chase does provide
22 real and substantial assistance to
23 nonprofits in our community. They have a
24 streetbanker position, I guess most recently
25 referred to as a staff position, in the

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2 Community Development Group. But whatever
3 the name, the representatives really are
4 involved in the not-for-profits interagency
5 initiatives for bringing opportunities to
6 the less fortunate in Westchester. For
7 example, we have a lot of participation on

8 boards of directors, Westchester Interfaith
9 Housing Corporation, Westchester Residential
10 Opportunities, and Housing Action Council.
11 The Westchester Interfaith Housing
12 Corporation does an affordable housing expo
13 each year, which has come to be well
14 attended by low- to moderate-income
15 households and new immigrants, which were
16 actively engaging in asset building. And I
17 can cite today that a Chase representative
18 was responsible for us bringing in another
19 partner, the local Gannett newspaper, which
20 resulted in infinitely more publicity and
21 much greater participation at the Expo by
22 the households trying to reach. So we have
23 our people working actively in our
24 community.

25 A Chase person has been very engaged in

1

2 the local debate about how to close our
3 county's budget gap. This is a real

4 challenge as many of our safety-net services
5 are provided by not-for-profits, and they
6 are considered discretionary, not mandatory,
7 and yet they are essential services.

8 We have seen Chase staff involved in
9 very constructive discussion and analysis of
10 sales tax versus property tax, and advocates
11 and leaders in really tackling this problem.

12 Chase has been involved in networks of
13 economic development, such as the
14 Association of Women Business Owners,
15 technology forums, and other initiatives
16 that support minority and women-owned
17 businesses. Then in the area of financial
18 literacy, I would like to say, we know there
19 are this predatory lenders in Westchester
20 and subprime lending is absolutely alive and
21 well. In fact, the 2001 HMDA data indicates
22 that 38 percent of all refinancing loans to
23 African Americans in the city of Mount
24 Vernon are subprime.

25 I want to add one other thing. I have

1
2 done a little bit of research, and it does
3 seem that there is very little subprime
4 lending in Westchester by Chase, although
5 that is a bigger nut than I can get my arms
6 around. There's a lot of work that needs to
7 be done there.

8 But I do know that Chase has been
9 active in building a community coalition
10 that will reach out to these victims of
11 high-priced loans and try to get them to
12 take advantage of better mortgage products.

13 They have been active in building a
14 coalition around financial literacy, and
15 this involves several banks, a community
16 college, community advocates, who are
17 looking to develop an ongoing capacity, not
18 just Financial Literacy 101.

19 So the Chase model of having a
20 community development officer involved
21 really needs the people to think of calling
22 on him when there are problems. I have
23 contacted him if there were a problem with

24 servicing issues that they can't resolve on
25 mortgage defaults using normal channels.

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2 Chase also hosts community meetings and is
3 very involved in, as I say, the network of
4 services.

5 In closing, I would like to urge that
6 you insist that the model of a community
7 involvement that is provided by Chase in a
8 place like Westchester not be reduced, and
9 in fact this model should be replicated in
10 communities where these services are not
11 currently extended. Thank you.

12 MS. BRAUNSTEIN: Thank you. Will the
13 next panel please step up.

14 We have actually reached the last panel
15 today.

16 So, for the last time, I will repeat
17 for the record the procedures to the panel.
18 Each speaker has five minutes. We have a

19 timekeeper over there who will flash signs
20 to you. Please heed the signs so that we
21 can stay on schedule.

22 Additionally, if you have copies of
23 your statement which you have not handed in
24 to the registration desk, please give them
25 to the gentleman in the center of the room,

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2 who is our official recorder. On your way
3 out you can hand them to him.

4 Lastly, when you start to speak, please
5 state your name and organization for the
6 record.

7 And, with that, we will start the
8 panel. Mr. Diaz, would you like to?

9 MR. DIAZ: Good afternoon. My name is
10 Mariano Diaz. I am with the National
11 Supermarket Association. I am here today to
12 testify and give my endorsement in favor of
13 the merger between JPMorgan Chase and Bank
14 One. I own and operate three C-Town

15 Supermarkets in the New York/New Jersey
16 Metropolitan Area. As I said before, I am
17 here also representing the National
18 Supermarket Organization, an organization
19 with more than 300 supermarket locations,
20 mostly in the tristate area. I have also
21 been a customer of Chase for over ten years.

22 The independent supermarket industry is
23 comprised of many different ethnic minority
24 owners, usually first- and second-generation
25 immigrants. The majority of these

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2 supermarket stores are located in low-income
3 communities. One of our trademarks has been
4 going into abandoned and underserved
5 neighborhoods and being the anchor, the
6 beacon of transformation of that community.
7 We know now how to cater and get involved
8 with the local community. We employ people
9 from the community. And because we take

10 great pride in upgrading and renovating our
11 stores, we are an important source of work
12 for local electricians, plumbers,
13 carpenters, and other trades.

14 Historically, financing for independent
15 supermarket owners was limited to suppliers
16 and other unconventional lenders at very
17 high interest rates and fees and other
18 unfavorable terms. Major banks such as
19 Chase, Citibank and Fleet had stayed away
20 from lending to independent supermarkets for
21 a number of reasons -- in my opinion, some
22 legitimate and some not.

23 Approximately eight years ago I became
24 aware that Chase was beginning to express
25 some interest in developing a targeted

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2 lending program for supermarkets. I applied
3 and was fortunate to receive my first loan
4 in October 1998. I have borrowed twice more
5 since then as my businesses have grown.

6 Personally and as a representative of
7 the National Supermarket Association, I am
8 here to attest to the tremendous positive
9 contribution of Chase's supermarket lending
10 program to the independent supermarket
11 industry. Chase has made it possible for me
12 and many of my colleagues to own the real
13 estate, secure long-term leases, become
14 independent from our suppliers, renovate and
15 upgrade our locations.

16 I hope that Chase's merger with Bank
17 One gets finalized.

18 Chase has been an excellent partner
19 over the years and Chase has shown a
20 willingness to break new ground where others
21 have been reluctant. Without their support
22 over the years, it would have been much
23 harder and definitely more expensive to
24 accomplish the success I have incurred over
25 the past decade. For this, I am grateful.

1

2 Thank you very much.

3 MS. BRAUNSTEIN: Thank you.

4 MS. KOTELCHUCK: Hi. I am Ronda

5 Kotelchuck, the Executive Director of the

6 Primary Care Development Corporation. PCDC

7 is a nonprofit organization and a Community

8 Development Financial Institution. Our

9 mission is to "expand and finance primary

10 and preventive healthcare for underserved

11 communities."

12 As a major strategy for achieving this

13 mission, we provide capital financing to

14 expand, renovate, upgrade and build new

15 health facilities serving such communities.

16 Absent PCDC, this sector has little to no

17 access to credit or capital. We also

18 provide a very strong program of

19 predevelopment and operational technical

20 assistance to the organizations that operate

21 such facilities and will thereby help us to

22 be even more effective and successful in

23 accomplishing our mission.

24 JPMorgan and Chase, separately and then

25 together, have been critical partners in

1
2 PCDC's founding and in creating its most
3 successful lending program, the Primary Care
4 Capital Fund. We support the merger of
5 JPMorgan Chase with Bank One, because we
6 understand that it will strengthen and
7 expand the bank's commitment to community
8 development financing and will therefore
9 help us be even more effective and
10 successful in accomplishing our mission.

11 JPMorgan played a critical role in the
12 founding of PCDC ten years ago. It was an
13 early and enthusiastic stakeholder,
14 providing a grant by its own foundation,
15 but, more important, using its influence and
16 relationships to help PCDC recruit a dynamic
17 and committed board of directors, raise
18 necessary philanthropic funds to start up
19 the organization -- that is, in addition to
20 its own grant -- and to introduce us to many

21 important community organizations. Its
22 presence as friend, strategist, and partner
23 in this period was critical. Together in
24 1998 the community development division of
25 JPMorgan and PCDC won the national award for

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2 community development innovation from Social
3 Compact.

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5 After our founding, Chase took
6 leadership in bring together a consortium of
7 four major New York City banks, which
8 included JPMorgan, to enable PCDC to offer
9 long-term loans during the Primary Care
10 Capital Fund, and Chase currently acts as
11 the construction lender for such projects.

12

13 The fund has been enormously successful
14 since it was launched in 1997. Its success
15 can be measured in multiple ways:

16

17 We have completed 17 facilities, making
18 loans totaling \$26 million, and leveraging a
19 total investment of \$33 million in New York

17 City's low-income neighborhoods with that
18 fund.

19 The new, expanded and renovated
20 facilities together add the capacity to care
21 for 140,000 low-income New Yorkers.

22 All facilities are current on their
23 debt service.

24 The program has contributed
25 significantly to improving health indicators

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2 in New York City -- growing rates of life
3 expectancy, falling rates of infant
4 mortality, and preventable hospitalizations.

5 The "PCDC model" has inspired the
6 development of similar loan funds and
7 efforts in other parts of the country --
8 West Virginia, Texas, Arkansas, Mississippi
9 and Georgia and similar initiatives in
10 Detroit, California and Washington, D.C.

11 Finally, we believe we have proved that

12 the development of primary and preventive
13 care is a powerful and essential component
14 of community development. At one level it
15 provides steady, sustainable, well-paying
16 jobs for community residents and generates
17 important secondary economic activity in the
18 community. But more importantly, it is
19 essential to the ability of families to
20 participate successfully in the workforce
21 and for their children to succeed in school.
22 It is essential to reducing preventable
23 illness and hospitalization, and reducing
24 disability, dependency and premature death.

25 Through its foundation, JPMorgan Chase

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2 has also supported PCDC in developing a
3 powerful set of technical assistance
4 programs, both for the predevelopment stage
5 and for operations. We have trained 116
6 teams from 23 facilities in the latter
7 program and demand is increasing both within

8 our service area and from across the
9 country.

10 We expect continued partnership from
11 the merged JPMorgan Chase/Bank One entity,
12 and we expect it to play a major role in our
13 future growth. That growth includes our use
14 of New Markets Tax Credits to better serve
15 our community and expanding our lending
16 program statewide. The latter is made
17 possible by a CDFI grant that will allow us
18 to replicate the very successful New York
19 City program throughout the rest of the
20 state.

21 Finally, our success is attributable to
22 those who served on our board of directors
23 and help guide our efforts and build the
24 necessary relationships -- Ruth Salzman, the
25 current Senior Vice President of JPMorgan

3 Hildy Simmons, from JPMorgan.

4 We expect that the merger of JPMorgan
5 Chase and Bank One will expand the
6 commitment to community development, and the
7 merged entity will help us make even a
8 greater impact on the underserved
9 communities of New York State.

10 MS. BRAUNSTEIN: Thank you.

11 MR. MARSHALL: Good afternoon. My name
12 is Timothy Marshall, President and CEO of
13 the Jamaica Business Resource Center. It is
14 indeed a pleasure to come before you in
15 support of the JPMorgan Chase/Bank One
16 merger. In an era of considerable
17 consolidation in the banking industry, and
18 at a time when minority communities are
19 particularly hurting, I do not take this
20 opportunity lightly. The notion that less
21 is more is not always applicable.

22 However, it is because of the nearly
23 ten-year relationship with Chase and its
24 predecessor, Chemical Bank, that I can
25 attest to an unparalleled view of leadership

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2 and service that has been demonstrated time
3 and time again by this institution.

4

5 It is therefore the contents of these
6 two themes, leadership and service, that I
7 would like to briefly speak of at this time.

8

9 Approximately ten years ago, I had the
10 opportunity to work as chief of staff to the
11 chairman of a major division of a
12 Fortune-500 corporation. One important
13 lesson I learned during that time is that
14 companies are like people: They have
15 distinctive characters, values, and
16 personalities. Moreover, when you are a
17 multibillion-dollar corporation giant, it
18 would be easy to throw dollars at the very
19 problems that exist in communities
20 throughout this nation and then tell folks
21 to just simply go away.

22

23 But that is not the case with Chase.
24 They have chosen another road, that of
25 direct involvement in bringing about

23 solutions to problems that low- and
24 moderate-income communities are facing. A
25 brief history of my organization is such a

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2 case in point.

3 As a result of the hue and cry from
4 small businesses throughout this nation for
5 more and better access to financing and
6 capacity building services in low- and
7 moderate-income communities, former
8 President Clinton directed the White House
9 Office of Management and Budget to develop a
10 new policy and programmatic initiative. The
11 result was a program called the One Stop
12 Capital Shop. The national model and pilot
13 for this program was to be housed in the
14 Sixth Congressional District. Then
15 Congressman Flake, whom you heard from
16 earlier, reached out to then Chemical Bank,
17 who helped to give birth to this new entity
18 by providing extensive support ranging from

19 grants to technical assistance to
20 capacity-building support in the form of a
21 loan executive, provision of office
22 furniture and equipment, and a broad range
23 of support to help get this initiative
24 launched and to open its doors.

25 This was a significant role of

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2 leadership, but what is of signal importance
3 is that they did not just provide that
4 initial support. They have been with us
5 through thick and thin in the past with tech
6 aid, providing ongoing support, growth and
7 development strategies and a broad range of
8 other services.

9 As a result of this critically
10 important support, JBRC has emerged as a
11 leader in the field of economic development
12 in the New York Metropolitan Area and has
13 provided technical assistance to over 6,000

14 minorities on businesses and has trained
15 over 3,750 businesses in the fundamentals of
16 business management, has helped to create
17 and retain over 6,000 jobs, and has secured
18 over \$350 million in financing and
19 procurement opportunities. This model has
20 now been replicated in 16 markets throughout
21 the United States.

22 While these numbers are significant,
23 they are more meaningful because minority
24 businesses are often the gateway to jobs and
25 training opportunities in the minority

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2 community.

3 During a time of significant
4 unemployment and the need for affordable
5 housing and budget cuts at the federal,
6 state and the local level, Chase has
7 continued to stand in the gap, helping to
8 keep community-based organizations alive and
9 thus continuing much needed services at a

10 grassroots level. It has been one of those
11 corporate citizens the community knows will
12 not go away. They are truly committed to
13 the well-being of communities that are
14 hurting.

15 This, we believe, is an excellent
16 example of leadership in the area of
17 sustainable development. This includes
18 providing financing for small businesses,
19 and with continued challenges to affirmative
20 action, Chase has maintained a major
21 commitment to supply diversity.

22 From Mark Willis to Greg King, John
23 Pellitteri, Lou Salzman, Harvey Butler,
24 their predecessor Carol Carey, and a host of
25 those who worked on hybrid systems, we are

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2 grateful for their leadership and service
3 and present, this testimony in the
4 fundamental belief that this commitment will

5 not go away but will continue because of its
6 character, core values and long history of
7 demonstrated commitment. Thank you very
8 much.

9 MS. BRAUNSTEIN: Thank you very much.

10 MS. MATOS: Good afternoon. My name is
11 Maria Matos and I am the Executive Director
12 of the Latin American Community Center in
13 Delaware, and the President of its
14 Development Corporation. I would like to
15 thank the Federal Reserve Board for giving
16 my the opportunity to share my perspective
17 on the Bank One and JPMorgan Chase merger.

18 The Latin American Community Center, or
19 the LACC as it is known in Delaware, was
20 incorporated in 1969, and it is the largest
21 nonprofit agency serving Latinos in
22 Delaware. With a staff of approximately 70
23 employees, our organization serves more than
24 6,000 clients every year. Our mission is
25 "to advocate for and assist the Latin

1
2 community by offering resources and programs
3 that promote empowerment and an enhanced
4 quality of life, while celebrating our
5 diverse cultures." Our area of service
6 spans New Castle County, but focuses
7 primarily on Latino residents of the city of
8 Wilmington, where the agency is located.
9 New Castle County is the most densely
10 populated county in the state, and has seen
11 a 136 percent increase in Latino population
12 since 1990, the vast majority now coming
13 from Mexico.

14 I speak from the perspective of a
15 director of a nonprofit, community-based
16 agency that serves poor, ambitious
17 immigrants and also seeks to redevelop a
18 blighted inner-city Enterprise community.

19 The LACC initially focused on providing
20 key social and intervention services to the
21 community. More recently, it has sought to
22 expand its educational initiatives for
23 individuals of all ages, starting at the age
24 of one. In this arena we provide preschool

25 education and care programs for children

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ages one to five, complementary care,

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educational enrichment programs, and a youth

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mentoring program for youth 6 to 12 years

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old, and evening activities for older,

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middle and high school youth. Our adult

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education programs include civics, English

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as a second language, computer and parenting

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classes. Most recently, we have begun a

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conversational Spanish program for law

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enforcement officers of the New Castle

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County Police.

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In the social services area, the agency

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offers family support services, community

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outreach programs for substance abuse and

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HIV/AIDS prevention, workforce development

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and placement, and financial literacy

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programs primarily for Latino immigrants,

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although everyone is welcome. As a matter

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of fact, the agency was one of the pilot

21 sites for the FDIC Money Smarts program.

22 Our Development Corporation was created
23 in 2000 as an independent 501(c)3 to respond
24 to the deteriorating housing conditions and
25 the high levels of lead in the blood of

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2 children in our neighborhood. To date the
3 CDC has renovated six abandoned houses, is
4 building a three-story, twenty-four unit
5 apartment building for low-income seniors,
6 to be fully occupied by the end of this
7 year, and has provided lead abatement and
8 low-level intervention to over 500 units in
9 our immediate neighborhood.

10 Over the coming years we expect to see
11 a significant increase in the demand for
12 Agency services, as the migrant and
13 immigrant flow of Latinos into Delaware
14 continues to grow.

15 Regarding Bank One and JPMorgan Chase,

16 our relationship with these two financial
17 institutions predates merger discussions by
18 many years.

19 When Bank One was First Chicago and I
20 had recently joined the LACC as its
21 executive director, their CRA officer,
22 Roland Ridgeway, provided expert technical
23 assistance on fund-raising and grant
24 writing.

25 JPMorgan Chase gave us seed money for a

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2 computer literacy program. We leveraged
3 this initial investment and have created an
4 award-winning program.

5 I also have the pleasure of sitting on
6 the JPMorgan Chase Community Advisory Board,
7 and I think they take our advice very
8 seriously.

9 I would be remiss if I did not mention
10 one concern that comes to mind with all
11 mergers. As a nonprofit organization, we

12 have experienced many bank mergers, and we
13 found that banks tend to consolidate their
14 charitable giving. This could conceivably
15 constrain services that agencies like ours
16 offer.

17 Overall, I support the merger. I thank
18 you very much.

19 MR. RONQUILLO: Madam chairman, members
20 of the panel, I want to thank the Federal
21 Reserve Board for the opportunity to come
22 here today and to testify in support of the
23 application of merger of JPMorgan Chase and
24 Bank One.

25 For the record, my name is Marcos

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2 Ronquillo. I am Chairman of the public law
3 section of Godwin Gruber in Dallas, Texas.

4 I feel a little bit out of place this
5 afternoon, but I believe the merger does
6 impact the State of Texas. So I am here

7 today to offer my testimony in that
8 capacity. I am also here today not as an
9 attorney but as a volunteer. I have been a
10 Dallas resident since 1979, and have had the
11 opportunity, as the former Chairman of the
12 Dallas Spanish Chamber of Commerce, former
13 President of the Dallas County Bar
14 Association, and the honor of representing a
15 multitude of Hispanic people in the
16 Dallas/Fort Worth area. In that capacity I
17 have had the opportunity to work with Chase
18 and its predecessor institutions over the
19 span of at least fifteen years, and I can
20 give before the Board direct testimony in
21 terms of my observations, experiences and
22 activities with those financial
23 institutions.

24 It has been my personal experience that
25 Chase has offered innovative leadership in

3 low- to moderate-income housing, and has
4 made inroads in the Latin-American
5 community, especially in the Texas area.

6 It has also been my observation that
7 Chase has also been the leader in the
8 establishment of public and private
9 partnerships. They come together to serve
10 infrastructure, housing and other needs of
11 the low- to moderate-income community.

12 In addition to those initiatives, I
13 have also had the privilege of working with
14 JPMorgan Chase with respect to those
15 activities in the Dallas/Fort Worth area
16 with respect to access to capital. No one
17 here is here today to say that that is not
18 an issue. It is indeed a very important
19 issue that all members of our community have
20 access to capital -- small business
21 entrepreneurs, microbusinesses -- and I am
22 glad to say that Chase is an innovator and a
23 leader in that area as well.

24 Then, finally, time does not allow me
25 to list all the activities, projects and

1
2 activities where JPMorgan Chase bankers,
3 from the highest levels to the folks that
4 basically run the bank, participate in
5 programs and activities in the Dallas/Fort
6 Worth area. And because of those
7 activities, I have been pleased to work with
8 JPMorgan Chase on the Dallas Community
9 Advisory Committee, on the Chase Community
10 Advisory Board as well.

11 So I am here to support the application
12 of the merger and to, more importantly,
13 underscore the following sentiment, and that
14 is, it is our belief and it is our hope, as
15 the Latino community grows in Texas, that
16 with the leadership of Bank One, with the
17 leadership of JPMorgan Chase, that hopefully
18 2 and 2 will be fine. Thank you very much.

19 MS. BRAUNSTEIN: Thank you. Mr. Kui?

20 R. KIU: Hi. Good afternoon.

21 Distinguished members of the Federal
22 Reserve Board Bank System, my name is

23 Christopher Kui and I am the Executive
24 Director of Asian Americans for Equality.
25 Since its inception in 1974, AAFE has been

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2 providing economic development and small
3 business assistance, affordable housing,
4 home ownership opportunities, and social
5 services to low-income immigrant and
6 minority communities. Today, we serve more
7 than 20,000 clients a year at six offices
8 citywide.

9 Community development lending and
10 investment, affordable mortgage programs,
11 and philanthropy are all vital interests and
12 issues to the Asian American community.

13 Today, the Asian American community
14 represents more than 10 percent of New York
15 City's population.

16 Additionally, it is the single
17 community with the largest deposits in

18 neighborhoods such as Manhattan Chinatown,
19 Flushing, Queens, and Sunset Park, Brooklyn.
20 As our community continues to grow and
21 develop, Chase's commitment to these efforts
22 is all the more critical.

23 In our experience in the Asian American
24 community, Chase has been a strong partner.
25 In its dealings with AAFE, Chase has

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2 traditionally shown its willingness to work
3 collaboratively with and provide support for
4 community-based projects.

5 Last year, AAFE partnered with Chase to
6 complete Norfolk Apartments, 52 apartments,
7 52 units of low-income housing in the
8 Chinatown area. Chase has also been a
9 leading partner with other community groups
10 through the New York Mortgage Coalition in
11 increasing homeownership opportunities for
12 underserved and minority constituencies.

13 After the September 11 attacks, Chase

14 took the unusual step of channeling \$10
15 million directly to over fifty
16 neighborhood-based groups and intermediate
17 areas in New York City to avoid bureaucratic
18 or structural delays in order to help
19 victims and affected businesses. As a
20 result, AAFE was able to move quickly to
21 leverage over \$12 million of government and
22 corporate funding to lend to over 200 local
23 small businesses in the Chinatown area who
24 sacrificed on September 11.

25 Having worked closely with JPMorgan

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2 Chase, I have full confidence in the bank's
3 commitment to investing in the local
4 communities.

5 When the Community Reinvestment Act
6 came under Congressional attack in 1999, led
7 by the Senate Banking Committee Chairman
8 Phil Gramm, Chase was an important ally in

9 opposing the gutting of that legislation,
10 seeing it not only as socially responsible
11 but as good business. Since this battle,
12 senior bank officers continue to speak
13 decisively in support of the CRA and the
14 programs that they have established.

15 Therefore, today I ask the Federal
16 Reserve to extend its support to the
17 JPMorgan Chase/Bank One merger, based on
18 recommendations to Chase Bank to continue
19 the bank's strong leadership presence in New
20 York City and to expand its community
21 development programs and interest in our
22 communities.

23 Are we and many other community
24 organizations concerned about the pending
25 merger and its impact on local communities?

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2 Are we to be concerned about the pending
3 merger and location of the bank's retail
4 services headquarters in Chicago? Will New

5 York City's neighborhoods take a back seat
6 to other priorities?

7 As this merger proceeds, many community
8 development practitioners are concerned that
9 JPMorgan Chase may have a lesser presence on
10 a neighborhood level in New York City;
11 additionally, that they might become too big
12 to continue to build relationships on a
13 one-to-one basis for community-based
14 organizations.

15 Therefore, we join with our fellow
16 community-based organizations in
17 recommending that:

18 * JPMorgan Chase's future
19 organizational structure expand its ability
20 to establish effective ownerships on a local
21 level.

22 * JPMorgan Chase's community
23 development program continue to be
24 responsive to the priorities and needs of
25 New York City's low-income neighborhoods.

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* JPMorgan Chase stand by its record

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of providing community development loans in

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New York City to reflect the bank's

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increased assets and market share.

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Particularly, more philanthropic dollars

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should be targeted to fund affordable

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housing and neighborhood redevelopment.

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Finally, we would also like to see

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JPMorgan Chase pursue relationships with

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many additional community-based

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organizations serving the Asian American and

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immigrant communities as these communities

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continue to grow in size and diversify.

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Additionally, Chase has been the model

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that other banks have tried to emulate. As

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it expands, we are confident, I am

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confident, that Chase will stand firm in its

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commitment to communities. With the

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increased resources of the future

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institution, the bank could continue and

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will continue to enjoy its place of

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leadership in community development. Thank

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you.

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MS. BRAUNSTEIN: Thank you. Thank you

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to the entire panel.

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We now come to the portion of the

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program where, if there is anyone who has

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not already spoken today who would like to

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make some comments, they may come forward,

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please, at this time.

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No one.

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Before we adjourn, I would like to make

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a couple of closing comments. As you can

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imagine, putting on a public meeting like

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this is no small undertaking, so I would

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like to take the chair's prerogative to,

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first of all, thank New York and the Federal

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Reserve Bank of New York for its great

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hospitality in hosting us today. I would

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like to thank my colleagues on the panel

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today for their support. Thank you very

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much.

20 Then I would also like to extend thanks
21 to some people specifically who made this
22 happen. As I say, this is no small process
23 and it took a lot of work. From the New
24 York Fed, I would like to thank Charles
25 Sander, Mary Ann Campbell, all the ushers

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2 and greeters that worked so hard today to
3 get people in and out and keep us on time.

4 I would like to thank the AD people who
5 did a great job in keeping the systems up
6 and working.

7 I would also like to thank our timers,
8 Lauren Cohen and Sunita Pierce. Thank you
9 very much for keeping people on time.

10 Then from the board I would like to
11 thank Beverly Smith and David Evans for all
12 the work they did in working with the New
13 York folks to prepare for this meeting.

14 With that, unless there is any further

15 business, we are adjourned.

16 (Time noted: 4:50 p.m.)

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Last Update: March 15, 2017