

St. Louis Equal Housing and Community Reinvestment Alliance

c/o EHOC · 1027 S. Vandeventer Avenue, 6th floor · St. Louis, MO · 63110 · www.slehkra.org

MEMBER ORGANIZATIONS

May 25, 2011

Center for the
Acceleration of
African American
Business

Bert A. Otto
Deputy Comptroller
Office of the Comptroller of the Currency
One Financial Place, Suite 2700

Community Action
Agency of St. Louis
County

440 South LaSalle Street
Chicago, IL 60605

Community Resource
Development
Organization

Re: JP Morgan Chase Bank CRA performance

Dear Mr. Otto:

Citizens Coalition to
Fight Eminent
Domain Abuse

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) would like to offer public comment regarding the performance of JP Morgan Chase Bank, Columbus, OH, pursuant to the Community Reinvestment Act (CRA) and the bank's upcoming performance evaluation scheduled for June 2011. SLEHCRA is a coalition working to increase investment in low-income and minority communities by ensuring that bank's are meeting their obligations under the CRA and fair lending laws. We have some concerns with JP Morgan Chase Bank's lending performance, and we urge the Office of Comptroller of the Currency (OCC) to consider these concerns during the bank's performance evaluation.

Human Development
Corporation

Justine Petersen

Lemay Housing
Partnership

Metropolitan St.
Louis Equal Housing
Opportunity Council

In February 2011, the Metropolitan St. Louis Equal Housing Opportunity Council released a report entitled *Redlined: A Fair Lending Analysis of the St. Louis Metropolitan Area* that examined the aggregate lending performance as well as the top ten mortgage lending institutions, including JP Morgan Chase Bank. The analysis of JP Morgan Chase Bank documented several CRA and fair lending concerns, which are explained in the following comment letter. The full report is available for download online at www.slehkra.org.

Missourians
Organizing for
Reform and
Empowerment

JP Morgan Chase Bank has not designated any part of the St. Louis metropolitan area as their assessment area, despite being one of the largest mortgage lenders in the region. According to 2009 data from the Home Mortgage Disclosure Act (HMDA), JP Morgan Chase Bank was the tenth largest mortgage lender by volume of HMDA loan applications.¹ The bank reported nearly 3,000 HMDA loan applications, and an additional 11,000 HMDA purchases within the St. Louis metropolitan area in 2009. This amount of mortgage lending is substantial, and makes the bank one of the largest mortgage institutions operating in this area. Though the bank or its affiliates do not operate any deposit-taking branches, there is one Chase Home Finance Office located in the St. Louis region.

MoKan

NAACP St. Louis

North County
Churches Uniting for
Racial Harmony and
Justice

Ready, Aim,
Advocate! Committee

We consider JP Morgan Chase Bank's large volume of mortgage lending and other activities in St. Louis to be significant enough meet the CRA requirements for designating assessment areas, and we urge the OCC to require the bank to add the St. Louis metropolitan area as an assessment area.

St. Louis Community
Land Trust

Union Sarah
Community
Corporation

Currently, JP Morgan Chase Bank's performance within our community of St. Louis is not evaluated for meeting the needs of our entire community with safe and sound

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products and services. This absence of regulation and accountability for the bank's activities in St. Louis is apparent as we have serious concerns with the bank's service to low- and moderate-income communities and communities of color. We have concerns with the bank's low market penetration to low- and moderate-income borrowers and communities, as well as low market penetration to African-American borrowers. Additionally, we are concerned with high denial rates and the disparity in denial rates between African-American and white borrowers. The disparity in high cost loans between African-American borrowers and white borrowers is also extremely high. Considering the bank's large share of the mortgage market here in St. Louis, JP Morgan Chase Bank's performance is unacceptable and we urge the OCC to further investigate these concerns.

Our analysis of JP Morgan Chase Bank shows the bank's low market penetration to low- and moderate-income borrowers and communities, and a concerning decrease in lending to those communities. According to the 2009 HMDA data, the bank originated only 6 loans to low-income census tracts in the St. Louis metropolitan area, representing 0.37 percent of the bank's total lending in the area. Compared to the performance of the top ten mortgage lending institutions, JP Morgan Chase Bank's lending to low-income geographies ranks as the lowest. Lending to moderate-income census tracts is also one of the lowest compared to the other top mortgage lending institutions, and is far below the aggregate lending performance of 8.56 percent originations to moderate-income geographies. Looking at the performance over the last three years from 2007 to 2009, the banks lending to low- and moderate-income geographies has decreased dramatically. While low-income communities experienced a 61 percent decline in the bank's market share and moderate-income communities saw a 47 percent decline in market share, upper-income communities saw an increase by 40 percent in their market share.

The bank's record of lending to low- and moderate- income borrowers is below the aggregate percentage of lending and many of their peer mortgage lenders operating in the St. Louis area. In 2009, the bank originated 6.93 percent of loans to low-income borrowers and 20.91 percent to moderate-income borrowers. Combined, this performance is lower than the aggregate percentages of 8.20 percent originated to low-income borrowers and 19.82 percent to moderate-income borrowers.

We are concerned that JP Morgan Chase Bank is not adequately serving our entire community in the St. Louis region, particularly the low- and moderate-income borrowers and communities. The bank's decrease in lending among these communities is especially concerning. Since JP Morgan Chase Bank has not designated St. Louis as part of their assessment area, the OCC does not evaluate their record of service to these low- and moderate- income communities and the bank does not have the same obligation or accountability to be providing outstanding service. The bank's extremely low record of lending to low- and moderate-income geographies is an example of such lack of accountability, and we urge the OCC to require the bank to add St. Louis as an assessment area and to hold the bank accountable for their services within this area.

We also have fair lending concerns with JP Morgan Chase Bank as seen in low market penetration to African-American borrowers and communities, as well as high disparities in denial rates and high cost loans to African-American borrowers as compared to white borrowers. We urge the OCC to conduct a thorough fair lending review of the policies, practices, and treatment of minority customers by the bank in the St. Louis metropolitan area.

According to the 2009 HMDA data, JP Morgan Chase Bank originated only 2.81 percent of loans to African-American borrowers. This is substantially lower than the aggregate lending of 4.73 percent originated to African-Americans. JP Morgan Chase Bank ranked the lowest in percent of loans to African-American borrowers when compared to the other top ten mortgage lending institutions in the St. Louis MSA in 2009. Considering the population of the St. Louis metro area consists of 18.36 percent

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African-Americans, the bank's market penetration within the African-American community is concerning. This market penetration has substantially decreased in the last three years, with African-Americans experiencing a 62 percent *decrease* in the bank's market share while white borrowers have seen a 5 percent *increase* in the bank's market share.

Additionally, JP Morgan Chase Bank's lending to predominately minority geographies is also lower than the aggregate performance and is one of the lowest when compared to their peer lending institutions. In 2009, the bank originated 3.06 percent of loans to geographies with over 50 percent minority population. Over the last three years, this market penetration has decreased by 48 percent while the bank's market penetration in overwhelmingly white areas has increase by 15 percent.

We also have concerns with the bank's high denial rates and the disparity between white denial rates and African-American denial rates. According to the 2009 HMDA data, JP Morgan Chase Bank denied 62.84 percent of applications from African-Americans. This extremely high percent of denials is concerning, especially with only 38.01 percent of white applications denied. Over the last three years, the denial rate for African-American applications has actually increased while the denial rate for white applications has decreased. While we understand the limitations of HMDA data in providing additional creditworthiness data, the bank's consistently high percent of denials and the high disparity between white and African-American denials is alarming and we urge the OCC to further investigate.

Similarly, we have concerns with the bank's record of high cost lending and the disproportionate number of high-cost loans originated to minority borrowers. In 2009, JP Morgan Chase Bank had the largest high cost loan disparity between African-American borrowers and white borrowers of the top ten mortgage lending institutions. African-Americans received high-cost loans 5.3 times more than white borrowers, with 15.56 percent of African-American originations reported as high-cost and only 2.94 percent of white originations reported as high-cost. Over the last three years, JP Morgan Chase Bank's high-cost lending overall has decreased significantly. However, the disparity in high cost lending between African-American borrowers and white borrowers has remained and has actually increased substantially from 2007 to 2009. We are concerned with the disparity and especially the increase in the disparity between African-American borrowers and white borrowers, and we urge the OCC to do a thorough investigation of JP Morgan Chase Bank's loan policies in regards to compliance with the fair lending laws.

Our coalition is also concerned with the issues of JP Morgan Chase Bank regarding foreclosures and loan modifications that are currently under investigation. The bank has plans to open a homeownership center in the St. Louis area that will provide resources to help borrowers stay in their homes.² These homeownership centers are opening in areas with high foreclosure rates, suggesting the prevalence of distressed JP Morgan Chase Bank borrowers here in St. Louis. In a current survey of housing counseling agencies on loan modifications in the St. Louis area, the agencies reported 50 loans being serviced by JP Morgan Chase Bank or affiliated Chase Bank Mortgage. Of those, one was in a trial modification, one was in a permanent modification, and 48 did not yet have an outcome at the date of reporting. While we are pleased that JP Morgan Chase has plans to open a center specifically designed for helping homeowners here in St. Louis, we are concerned with their record of providing assistance for struggling borrowers. We urge the OCC to continue the monitoring and evaluation of JP Morgan Chase Bank's practices in loan modifications and foreclosures to ensure the bank is providing fair and excellent service to all borrowers.

We urge the OCC to strongly consider our comments in the bank's upcoming CRA performance evaluation and fair lending review. Our analysis of the bank's lending and services within the St. Louis metropolitan area is concerning, particularly because the bank has such a large mortgage lending presence in our community. We have fair lending concerns with the bank's disparities in denial rates and high cost lending to African-American borrowers. The bank's decreasing market penetration to low- and moderate-

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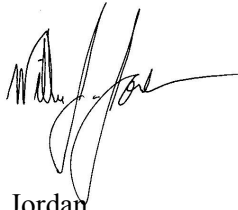
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income communities and African-American communities signal a need for increased CRA obligations and accountability, and we urge the OCC to evaluate the bank's service to the St. Louis community under the CRA and fair lending laws but also to require the bank to add the metropolitan to their assessment area as they are doing a significant amount of business here.

Thank you for your consideration.

Sincerely,



Will Jordan
Metropolitan St. Louis Equal Housing
Opportunity Council (EHOC)



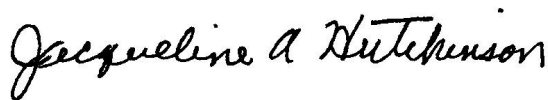
Lucille Walton
Community Resource Development
Organization (formerly Wellston Community
Support Association)



Rance Thomas
North County Churches Uniting for Racial
Harmony and Justice



Rose Eichelberger
Ready! Aim! Advocate! (R.A.A!) Committee



Jacqueline Hutchinson
Human Development Corporation (HDC)



Lynn Oldham
Missourians Organizing for Reform and
Empowerment (MORE)

Janice McKinney

Janice McKinney
Community Action Agency of St. Louis County
(CAASTLC)



Adolphus Pruitt
NAACP St. Louis

¹ HMDA analysis focuses on one-to-four family, owner-occupied loans reported in the St. Louis MSA.

² Brown, Lisa. "No New Branches Here, but Chase will open Local Homeownership Center." *St. Louis Post-Dispatch*. Feb. 16, 2011.