



LIMITED PURPOSE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 2, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Chase Bank USA, NA
Charter Number: 23160

200 White Clay Center Drive
Newark, DE 19711

Office of the Comptroller of the Currency

Large Bank Supervision
250 E Street, SW, Mail Stop 6-1
Washington, DC 20219-0001

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING:

This institution is rated Satisfactory.

The conclusions are:

- The Bank demonstrates an adequate level of community development (CD) lending, CD services, and qualified investment activity.
- The Bank demonstrates occasional use of innovative or complex qualified investments, CD loans, and CD services.
- The Bank demonstrates excellent responsiveness to the credit and CD needs in its assessment area (AA).
- Evidence of illegal credit practices inconsistent with helping to meet community credit needs has been identified in the supervisory process; as a result, the rating was negatively influenced.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Chase Bank USA, N.A. (Chase USA or the Bank) issued by the OCC, the institution's supervisory agency, for the evaluation period starting November 3, 2008 through December 31, 2011. The agency evaluates performance in AAs, as they are delineated by the institution, rather than individual branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Scope of the Examination

In evaluating the Bank's performance under the CRA, we reviewed CD activities from November 3, 2008 through December 31, 2011. We reviewed the level and nature of qualified investments, CD lending, and CD services. At the Bank's request, we also considered qualified investments, CD lending, and CD services provided by its affiliates. At the prior examination dated November 2, 2008, we rated the Bank Outstanding.

If a bank has adequately addressed its AA needs, the OCC considers CD activities a bank submits that benefit areas outside of its AA in the evaluation of its performance. The Bank has adequately addressed the needs of its AA, and, therefore, qualified investments, CD loans and/or services outside of the AA were considered in evaluating its performance.

Description of Institution

Chase Bank USA, N.A. is headquartered in Newark, Delaware and has a significant office presence in Wilmington, Delaware. The Bank does not operate any branch locations accessible to the public. The

main banking facility is located in a secured lobby in the Wilmington office¹ and is only available to Bank employees. Chase USA does not offer direct consumer products to non-employees from the Wilmington branch. The Bank also operates a branch in the Cayman Islands. Chase USA is a wholly-owned indirect subsidiary of the JPMorgan Chase Corporation (JPMCC), a global financial services firm with assets of \$2.3 trillion, with headquarters in New York City, and operations in more than 60 countries. JPMCC's other principal banking subsidiary is JPMorgan Chase Bank, N.A. (JPMCB). As of December 31, 2011, Chase USA had assets of \$121.7 billion, deposits of \$48.8 billion (of which 43.7% were foreign deposits), and Tier 1 capital of \$11.9 billion.

The majority of Chase USA's assets are derived from its primary focus on nationwide credit card lending. The credit card business offers a full line of products and services to consumers throughout the country, and is one of the largest credit card issuers in the United States. Other than a Bank strategy that focuses on nationwide credit card lending, there are no known legal, financial, or other factors impeding Chase USA's ability to help meet the credit needs of its AA.

The tables below show a summary of Chase USA's financial information and are intended to provide a perspective on the Bank's capacity to help meet the needs of the AA.

Table 1a: Financial Information (\$000s)

	Year-end 2008	Year-end 2009	Year-end 2010	Year-end 2011	Average for Evaluation Period
Tier 1 Capital	11,190,222	15,533,999	12,966,263	11,903,393	12,898,469
Total Income	14,573,686	14,177,619	18,719,347	15,841,772	15,828,106
Net Operating Income	4,437,462	(106,529)	4,536,740	6,135,371	3,750,761
Total Assets	102,826,031	91,043,014	131,082,741	121,748,570	111,675,089
Pass-Through Receivables	66,800,842	54,191,682	107,549,567	95,816,820	81,089,730

Source: Consolidated Report of Condition and Income and Bank reported data. The Average for Evaluation Period is the average of the numbers in the columns.

Table 1b: Loan Portfolio Information (\$000s)

Loan Portfolio (\$ in thousands)	
Loans & Leases	12/31/2011
Consumer Credit Card Loans	95,816,820
Commercial & Industrial Loans	6,328,681
Consumer Other Revolving Credit Plans	1,002,237
Other Consumer Loans	485
All Other Loans	2,284
Total Loans for Chase USA	103,150,507

In July 2008, Chase USA discontinued originating home mortgage loans and, thereby, exited the home mortgage business. As a result of this change, Chase USA's CRA examination type was changed from "Large Bank" to "Limited Purpose Bank." Chase USA meets the CRA definition of a limited purpose bank, which is a bank that offers only a narrow product line (such as credit card or motor vehicle loans) to a regional or broader market, and for which a designation as a limited purpose bank is in effect.

¹ 201 N Walnut Street, Wilmington, DE

Chase USA's limited purpose designation was approved by the OCC in August 2009, and is effective for the entire exam period. The Bank retains a portion of its receivables.

Given the nature of the Chase USA business and its designation as a Limited Purpose Bank under the CRA, Chase has put in place a program to meet the credit needs of the Chase USA AA through direct CD lending and qualified investments in the AA and broader regional area, and delivering CD services in the AA. Chase USA purchases housing bonds from the Delaware State Housing Authority. Its employees partner with non-profit organizations in the AA to provide CD services, including board memberships, technical assistance, financial education, etc. The program relies on CD activities delivered by affiliates of Chase USA for the benefit of its AA.

The CD activities in Chase USA's AA are provided primarily by the following affiliate business units:

- CD Banking provides both debt and equity financing [for example, construction loans and New Market Tax Credits (NMTCs)], and services primarily to meet the needs of LMI geographies and individuals in Chase USA's footprint.
- Tax Oriented Investments provides investments in Low-Income Housing Tax Credits (LIHTC) which provide much needed equity for affordable housing.
- The JPMorgan Chase Foundation provides contributions and other philanthropic and technical assistance to not-for-profit (NFP) organizations as a means of helping to strengthen its local communities and support CD organizations throughout its various markets.

All CD loan and investment originations are made by affiliates of Chase USA for the benefit of the Bank and its affiliates. CD loans and investments used in Chase USA's exam are booked in JPMorgan Chase Bank, Chase Community Equity, LLC, FNBC Leasing Corporation, Banc One Community Development Corporation, Chase Community Development Corporation, Washington Mutual Community Development, Inc., SAHP 130 Holdings, Inc., and First Chicago Leasing Corporation. CD grants are made by The JPMorgan Chase Foundation.

Description of Assessment Area

Chase USA designates three contiguous, primarily urban, counties of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD multistate metropolitan statistical area (MSA) as its AA. The three counties include: New Castle County in Delaware, and Philadelphia and Delaware Counties in Pennsylvania. Combined, these three counties have a population of over 2.5 million people, based on the 2000 U.S. Census. The largest population center in the AA is Philadelphia, PA, with a population of almost 1.5 million. Other major cities include Wilmington, DE, with almost 73 thousand people, and Newark, DE, with over 30 thousand people. Additionally, due to the close proximity, the states of Maryland and Virginia, the District of Columbia, along with the rest of the state of Delaware and southeastern Pennsylvania, have been designated as Chase USA's broader statewide and regional area. The AA complies with CRA guidelines and does not arbitrarily exclude LMI areas.

Based upon the 2000 U.S. Census Bureau data, the AA consists of 655 census tracts, 130 are low-income and 185 are moderate-income. There are 16 census tracts with no income level designation. The 2011 HUD² adjusted median family income for the AA is \$78,624. Of the AA's over 1 million housing units, almost 9% are vacant. Almost 83% are 1-4 family units and almost 17% are multi-family units. Fifty-eight percent are owner occupied, and 33% are renter occupied.

² HUD: U.S. Department of Housing and Urban Development

Table 2a: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	655	19.85%	28.24%	31.76%	17.71%
Families	623,600	29.70%*	19.51%*	20.55%*	30.23%*
Businesses	249,320	15.43%**	26.72%**	32.13%**	24.52%**

Source: Demographic Data – 2000 U.S. Census & 2011 Dun & Bradstreet Data.

16 Census Tracts are not income categorized.

Due to rounding, percentages may not add to 100%.

*Represents families by income level.

**Represents businesses by income level of census tract.

The time period covered by this evaluation was challenging in terms of circumstances affecting the economy, particularly in the housing and labor markets. The past several years saw the U.S. economy dip into a deep recession, which was then followed by the start of a very tepid recovery. Indeed, many U.S. households are still feeling the effects of the recession long after it officially ended.

The AA also felt the effects of the recession. Unemployment in the region continues to be relatively high, further hindering the ability of the region to recover from the recession, and putting a greater burden on state and local budgets by simultaneously diminishing the tax base and increasing the need for supportive services. The Bureau of Labor Statistics reports that the non-seasonally-adjusted December 2011 unemployment rate was 6.9% for New Castle County, Delaware, 7.2% for Delaware County, and 10.1% for Philadelphia County, as compared to the National unemployment rate of 8.5%. Additionally, according to the Delaware Valley Regional Planning Commission's Greater Philadelphia Economic Framework (2011), Philadelphia County, PA was the only whole county in the region to qualify as "distressed" according to U.S. Department of Commerce Economic Development Administration (EDA) guidelines.³ Additionally, eight of the eighteen municipalities considered distressed under the same guidelines are located in Delaware County, PA. In the state of Delaware, manufacturing, which used to comprise a significant sector, has dramatically lost good paying jobs for residents, many with minimal education, over the past 4 years. As a result of the recession, Chrysler closed a major assembly plant in Newark, DE in December 2008, and in July 2009, GM followed suit by closing its facility just outside of Wilmington, DE. The GM facility was the last auto plant in Delaware.⁴

Major industries in the AA include financial services, healthcare, and the service industry. After the Federal, state, and local governments, major employers in Chase USA's AA include the following:

Table 2b: Assessment Area Major Employers

New Castle County, DE	Philadelphia County, PA	Delaware County, PA
Christiana Health Care System Du Pont Corporation Bank of America JPMorgan Chase AstraZeneca Wilmington Trust	School District of Philadelphia Jefferson Health System Multiple Colleges and Universities and University Health Care Systems UPS Aramark Corp.	Wawa, Inc. Boeing

³ According to the EDA, jurisdictions are defined as "distressed" in one of three ways:

- The most recently available per capita income is 80 percent or less than the national average (\$20,847, given the 2010 national average of \$26,059); or
- The average unemployment rate over the most recent 24-month period for which data is available is at least one percentage point greater than the national average; or
- They have a "special need" as determined by EDA.

⁴ Milford, M. (7/12/2009). GM closing Boxwood Road, last auto plant in Delaware. *USA Today*. Retrieved from http://www.usatoday.com/money/autos/2009-07-12-gm-wilmington-plant-boxwood_N.htm.

The OCC's Community Affairs officers completed or updated community contacts in the AA for this evaluation. We also reviewed and discussed with Bank management needs identified through its Community Advisory Board (CAB). CAB members represent leaders from eight non-profit community organizations. Members assist management in determining credit needs in the AA. The identified needs in the AA, based on the community contact and information obtained from Bank management, include the following:

- Affordable housing
- Foreclosure prevention
- Homeownership counseling
- Neighborhood stability
- Economic development
- Education in high poverty schools
- Financial education
- Small business lending

There are a sufficient number of CD investment, loan, and service opportunities in the AA, but the presence of more than 80 financial institutions subject to CRA, including credit card providers, creates significant competition in the AA for CD activities.

Affordable Housing in the Assessment Area

According to the National Association of Realtors preliminary year-end 2011 data, the median sales price of existing single-family homes was \$210,100 for the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD multistate MSA, which is a slight decline from the 2009 figure of \$215,900. Affordability in this area remains an issue, particularly for low-income families, who would earn less than \$39,312, and moderate-income families, who would earn less than \$62,899, based on the multistate MSA's 2011 median family income of \$78,624.

Partly due to the high costs of housing development in the AA, the marketplace does not provide housing that all households can afford. High subsidies are needed to make housing – particularly rental housing – affordable to low-income households, especially very low-income households with the greatest needs.

Economic barriers, including high land, labor, and material costs, are not the only factors preventing the development of affordable housing. Local development policies may create barriers to affordable housing, as may social perceptions about who needs affordable housing. A general aversion to multi-family and higher-density development, as well as community opposition to all development in some areas, even within growth zones, often results in the least efficient type of development: single-family subdivisions on large lots.

While already under pressure from the above mentioned forces, the development of affordable housing further suffered as a result of the recession. Public subsidies, which had made many affordable housing projects possible, were cut or eliminated completely by struggling state and local governments.

A very high percentage of Chase USA's CD real estate lending is also tax credit-driven affordable housing finance, so the LIHTC market also impacts the Bank's CD lending opportunities. The market for LIHTC investments declined in 2008 along with the deterioration of the financial markets. The housing tax credits market was highly vulnerable to the credit tightening observed among financial services companies beginning in 2008. These companies experienced declines in their profitability, a consequence of which was a dramatic decrease in their need for tax shelters including housing credits. Additionally, because affordable rental housing development depends on the reliability of capital raised

from the syndication of housing credits, a nationwide inventory of slowed or stalled development began to accumulate in 2008.

There was a general fall in prices and lack of tax credit investors evident in 2008 and 2009. Furthermore, many transactions with limited access to capital exchanged or returned credits. State tax credit allocating agencies were allowed to exchange 40% of their credits in 2009. In taking potentially 40% of the credits allocated to each state out of the market, the industry substantially shrank as private capital was no longer needed. There was also much consolidation and restructuring within the syndication community in 2009 and thus a typical distribution mechanism was not available for a wide variety of investors.

Furthermore, regional and community banks have recently become more comfortable with LIHTC lending, resulting in increased competition for deals. They also have a preference for smaller deals, and can underwrite competitively based on long-standing personal relationships.

Approximately \$6 million in federal tax credit dollars were awarded to the state of Delaware from 2009 through 2011. The state received one of the smallest tax credit dollar allocations of all the 50 states over this time period. States with smaller populations, such as Delaware, typically receive smaller tax credit allocations. Additionally, the Delaware market is specifically served by a single syndicator, providing fewer options for investment partnerships. While Pennsylvania has received almost \$85 million in federal tax credit dollars between 2009 and 2011, the state agency that administers the state's tax credit allocation also provides below market rate construction loans for multi-family housing developments, providing a one-stop-shop for affordable housing developers.

Conclusions about Performance

Summary

Chase USA provides an adequate level of qualified investments, CD loans, and CD services in relation to its capacity and opportunities in the AA. During the evaluation period, \$161.6 million in qualified investments and CD loans were made in the AA. Employees provided services to 45 CD organizations and programs that benefit LMI individuals and communities in the AA.

Chase USA demonstrates occasional use of complex or innovative qualified investments, CD loans, and CD services. An example of one that is considered complex is a construction loan for the acquisition and rehabilitation of a former commercial building in a low-income census tract in Wilmington that assisted in transforming the property into residential units primarily for LMI individuals. The financing structure for this project required multiple financing sources and is considered complex. In another example, the Bank provided an investment for the construction of a charter school in Philadelphia that serves low-income students as part of the Bank's Charter School Funding Initiative Program. The financing sources supporting the program are considered complex and includes debt, NMTCs equity, and grants. The Bank identified the lack of financing methods available for charter schools and was also innovative in developing the financial sources required for these schools. A Bank officer served on the steering committee for the Eastside Community School Initiative and coordinated the complex process of applying for a federal grant to support the program.

Chase USA demonstrates excellent responsiveness to the credit and CD needs of the AA. The Bank participates in a leadership role, serving as the agent bank, in a loan consortium that provides affordable housing to LMI individuals. The Bank's financing is used to fund loans for the acquisition, construction, or rehabilitation of affordable housing, which is particularly responsive to the need in the AA. Chase USA purchased \$21.4 million of Delaware State Housing Authority Single Family Mortgage Revenue Bonds that provide mortgages to LMI borrowers, and is responsive to the critical need for

affordable housing in the AA. Additionally, the Bank contributed over \$20 million to CD organizations in the AA. These contributions are responsive to the needs for affordable housing, education, economic development and homeownership counseling in the AA.

The Bank's CD services were responsive to the need for financial education and affordable housing in the AA. A Bank officer served as the Chairman of the Board and provided leadership to an affordable housing development agency. He was responsible for key initiatives. In addition, Bank employees conducted financial education seminars to low-income individuals.

Qualified Investments

Considering the size, capacity, and resources of the Bank and JPMCC (please refer to the "Description of the Institution" section), Chase USA provides an adequate level of qualified investments. Chase USA, through its affiliates, provided qualified investments in the AA and broader areas that have the potential to benefit the AA totaling \$118.6 million. Because the Bank adequately addressed the needs in its AA, we considered an additional \$252 million in qualified investments made outside the AA. Table 3a, which follows, shows total qualified investment activity and table 4a presents total qualified investments as a percentage of the Bank's average capital, total income, and pass-through receivables.

Table 3a: Qualified Investment Activity (000s)

	Benefits AA	Outside AA	Totals
Originated Investments	37,752	89,763	127,515
Originated Grants	20,632	9,965	30,597
Prior-Period Investments that Remain Outstanding	60,270	152,331	212,601
Total Qualified Investments	118,654	252,059	370,713
Unfunded Commitments*	9,181	20,285	29,466

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the Bank's financial reporting system.

Table 4a: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	0.92%	1.95%	2.87%
Total Investments/Average Total Income	0.75%	1.59%	2.34%
Total Investments/Average Pass-Through Receivables	0.15%	0.31%	0.46%

Significant qualified investments made in the Wilmington, DE-MD-NJ Metropolitan Division (Wilmington MD) and the Philadelphia, PA Metropolitan Division (Philadelphia MD) and areas that have the potential to benefit the AA are discussed below.

Wilmington MD and Delaware

The Bank purchased \$21.4 million in single family mortgage revenue bonds from the Delaware State Housing Authority. The proceeds from the sale of these bonds financed below-market interest rate mortgages for LMI first-time home buyers. New Castle County received the most benefit from these bonds. This investment is responsive to the affordable housing need in the AA.

A \$2.9 million direct LIHTC investment was made for the acquisition and rehabilitation of a multi-family rental property, called Marrows Court, which provides 50 units of affordable housing for senior citizens and persons with disabilities under the HUD Section 8 program. Direct LIHTC transactions are complex because the Bank performs the functions of a syndicator, conducting the underwriting, pricing, and due diligence prior to originating the investment. After origination, the Bank monitors and manages the asset for the entire holding period, ensuring compliance with the LIHTC program and conducts annual on-site inspections. This investment is responsive to the need for affordable housing in the AA.

Among others, the Bank made significant grants of \$12 million to various CD organizations in this MD of the AA. The specific grants discussed below were particularly responsive to the needs for affordable housing, education, economic development, and homeownership counseling for LMI individuals.

Examples include a grant for \$2.3 million provided to a Community Development Financial Institution (CDFI) whose mission is to provide loans and technical assistance to community based organizations that promote community initiatives in low-income communities in Delaware. The majority of the grant supported small businesses with the purpose of creating jobs in economically disadvantaged communities in the AA and throughout Delaware. This grant is responsive to the need for economic development in the AA. A grant for \$1.3 million was made to support education reform in Wilmington. The funds will support academic programs, school based mentoring, and educational activities for LMI students. This grant is responsive to the need for education in the AA.

In 2009 and 2010, \$310 thousand in grants were provided to a CD corporation (CDC) committed to creating affordable housing in New Castle County and the City of Wilmington. The CDC serves LMI individuals. This grant is responsive to the need for affordable housing in the AA.

Philadelphia MD and Pennsylvania

Pan American Academy Charter School in Philadelphia received \$3.45 million in NMTC equity. This school provides education opportunities to low-income students in Philadelphia. The funding is for the construction of a new facility that will provide 29 classrooms for K-8 which is responsive to the identified need for education in the AA. This CD activity is considered complex because of the multiple funding sources such as debt, NMTC, grants to CDFIs, and the expert team required to oversee the financing structure. It is considered innovative because of the financing method developed to finance charter schools.

A \$1.8 million LIHTC investment was made to the Temple II North Gratz project. The property provides 40 units of affordable housing and was renovated after years of neglect. Additionally, the restoration project was part of a larger plan to revitalize this low-income North Philadelphia neighborhood. This investment is responsive to the need for affordable housing in the AA.

Significant grants of more than \$1.5 million were made to several CD organizations in this MD of the AA. The specific grants discussed below were particularly responsive to the need for education in the AA. Examples include a grant for \$1.5 million to a fund that supports charter schools that serve low-income students. Grants totaling \$45 thousand were made to support two community organizations. A grant for \$20 thousand provided social services to the homeless and a \$25 thousand contribution helps to provide class room education and job skills for low-income high school drop outs. These grants were made under an innovative program developed by the Bank's affiliate that gives Facebook users authority to choose the charities that will benefit from the affiliate bank's corporate philanthropy fund.

Community Development Lending

Considering the size, capacity, and resources of the Bank and JPMCC (please refer to the “Description of the Institution” section), Chase USA provides an adequate level of CD loans. Chase USA, through its affiliates, originated \$103.3 million CD loans in the AA or having the potential to benefit the AA during the assessment period. Because the Bank adequately addressed the needs of the AA, we considered an additional \$79.5 million in CD loans made outside the AA.

The following Table 5a shows total CD loans as a percentage of the Bank’s average capital, total income and pass-through receivables.

Table 5a: CD Lending Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total CD Lending/Average Tier 1 Capital	0.80%	0.62%	1.42%
Total CD Lending/Average Total Income	0.65%	0.50%	1.15%
Total CD Lending/ Average Pass-Through Receivables	0.13%	0.10%	0.23%

The most significant CD loans made in the Wilmington DE-MD-NJ Metropolitan Division (Wilmington MD) and the Philadelphia PA Metropolitan Division (Philadelphia MD) and areas that have the potential to benefit the AA are discussed below.

Wilmington MD and Delaware

A \$13.6 million construction loan was advanced for the acquisition and complete rehabilitation of a 150-unit apartment complex in Wilmington, DE. The project is located in a low-income census tract and all units are restricted for families with income at 60% or less of median family income (MFI.) The building is a project-based Section 8 property and recently received a 20 year renewal of its Housing Assistance Payment (HAP) contract through August 2028 from the Delaware State Housing Authority (DSHA). The loan is responsive to the affordable housing needs of LMI households.

A \$2.2 million construction loan was granted for the acquisition and substantial rehabilitation of a commercial building located in a low-income census tract in downtown Wilmington. The loan bridged a permanent loan and tax credit equity. The project contains 23 residential rental units of which 18 units are targeted to LMI individuals and families. The building also features a first floor gallery for art shows and displays. The building aims to present a high quality of life and an environment that promotes economic opportunity through developing affordable housing, and stimulating the presence of business, educational, cultural, social, and other amenities. The project addresses CD needs, as the property is located in one of Wilmington’s historic downtown buildings which had been vacant since the mid-1990’s and was in poor condition. The loan is considered complex due to the coordination of multiple funding sources including federal LIHTC, Federal Home Loan Bank loans, historic as well as a Delaware State Tax Credit, in addition to grants from various foundations. The loan is responsive to the affordable housing need in the AA.

Philadelphia MD and Pennsylvania

A loan facility totaling \$48 million was extended to fund the acquisition, construction, or rehabilitation of for-sale and rental affordable housing. Part of the total loan served as a permanent financing source. The borrower, a Philadelphia-based organization, is committed to making capital available to organizations that produce and/or operate long-term affordable housing for the economically and

physically disadvantaged. All housing projects financed provide opportunities for LMI individuals and families. The Bank played a leadership role by providing multiple levels of financing and serving as the agent bank for the syndicated loan facility. This project was responsive to the affordable housing needs within the AA and the broader regional area.

A \$10 million NMTC Loan was originated to assist in the new construction of a wholesale food and restaurant supply distributor in a moderate-income geography in Philadelphia, PA. The project is within a Renewal Community as designated by the U.S. Department of Housing and Urban Development. This project will stimulate job creation, retain existing jobs, and help revitalize and promote additional economic activity in this moderate-income area. This loan is responsive to the economic development of the AA.

Other Loan Data

A \$175.3 million Standby Bond Purchase Agreement was granted to support a housing finance agency's issuance of Single Family Mortgage Revenue Bonds for three years. The bonds will make funds available to LMI individuals and families for mortgage loans to purchase single family residences.

Community Development Services

Employees provided services to 45 CD organizations and programs to low- and moderate individuals in the AA or that have the potential to benefit the AA. Services were also provided to two CD organizations outside the AA. The CD services provided by the Bank are highly responsive to the affordable housing and financial education needs in the AA. One of the CD services required a high level of financial expertise. Employees represented Chase USA on the Boards of Directors and committees of 22 CD organizations primarily affordable housing and community service organizations. Employees provided financial education courses to six organizations and technical assistance to 17 organizations.

Significant CD services made in the Wilmington, DE-MD-NJ Metropolitan Division (Wilmington MD) and the Philadelphia PA Metropolitan Division (Philadelphia MD) and have the potential to benefit the AA are discussed below.

Wilmington MD and Delaware

A JPMCC officer worked with an organization to benefit low-income children and families living in an area where families face many challenges, including those related to education. The Bank officer led the organization's steering committee in the complex process of applying for federal and state grants for an initiative to improve the area's school programs. As a result, two area elementary schools were awarded a \$1.1 million grant from the state of Delaware to provide after-school and summer month programs for students. In addition, the organization was a recipient of a U.S. Department of Education grant for \$2.3 million. This new federal grant will allow the organization to build on its existing partnership with the area school district to expand the community school model at three other elementary schools in the City of Wilmington.

A JPMCC officer served on the Delaware Small Business Development Center (DSBDC) statewide Advisory Board. The Bank representative served in a leadership role and was instrumental in furthering the goals of the DSBDC, which is the primary source for entrepreneurial assistance in the state. The primary purpose of the organization is to meet the needs of the small business community by providing management assistance, educational programs, and other resources to help small businesses and potential entrepreneurs grow and prosper. Over the past year, this agency held more than 60 training events, counseled almost 1,200 clients, helped to create 136 new jobs, retain 65 jobs, and assisted

with establishing 46 new businesses. With the help of the DSBDC, small business clients were able to obtain \$11 million in capital, \$14 million in incremental gross receipts and clients awarded \$45 million in contracts.

The First State Community Loan Fund is a CDFI that provides technical assistance, credit counseling services, and small business loan programs to borrowers who may not qualify for conventional financing. The fund provides loans and technical assistance to individuals and community-based organizations that are preserving, expanding, or developing affordable housing, business enterprises, or other CD initiatives particularly in low-income communities. A Chase USA affiliate officer served in a leadership position as treasurer for the board of directors and an additional Chase officer served on the Finance & Investment Committee.

A Chase USA affiliate officer served in a leadership position as board chair to Interfaith Community Housing of Delaware during a difficult time for affordable housing agencies due to the economic downturn. The mission of the organization is to revitalize and strengthen neighborhoods by providing housing and homeownership services for LMI individuals. The Chase officer guided the agency during a complex period of transition and was directly responsible for leading several key initiatives with the Executive Committee that resulted in the development of a new three-year strategic business plan that included significant changes to strengthen the non-profit organization.

Twelve employees of Chase USA affiliates provided technical assistance to LMI employees and business owners who are constituents of a local CDC located in Wilmington. The CDC strengthens the economies of LMI communities in Delaware by implementing programs and projects that build assets, workforce capacity, and business opportunities. They accomplished this by replicating and designing innovative community economic development strategies. Chase employees assisted with the Delaware Earned Income Tax Credit Campaign which provides low-income individuals with a full-range of financial services including free income tax preparation, access to free credit reports, the ability to open a variety of savings vehicles and referrals to community programs to increase financial literacy.

Four employees of Chase USA affiliates conducted eight financial education seminars to low-income individuals in coordination with two non-profit agencies in Wilmington. JPMCC employees also provided foreclosure prevention counseling to 75 LMI individuals in New Castle County.

Chase USA's affiliate, JPMorgan Chase Bank, provided Electronic Benefits Transfer (EBT) services to recipients of certain government benefits, such as food stamps and cash assistance. The affiliate bank processes monthly benefits and provides debit cards allowing recipients convenient access to their public assistance benefits. Chase provides the services at no cost to the recipients. EBT services include free access to Chase's automated teller machines and hundreds of thousands of point-of-sale locations within Delaware and states included in the Bank's broader regional area and areas outside of its AA.

The Chase Homeownership Preservation Office (HPO) provides a central location for legal aid groups and affordable housing advocates that serve LMI borrowers to work with Chase's mortgage affiliate, through the HPO helpline. The HPO helpline is a foreclosure prevention program that helps to provide sustainable restructurings or modifications to homeowners at risk of losing their homes. The Chase HPO help line assisted 96 LMI borrowers in New Castle County, who were delinquent and/or facing foreclosure. However, we gave limited consideration for this CD service because of negative community group public comments, the high number of consumer complaints received, and other weaknesses identified regarding mortgage debt mitigation and foreclosure issues.

Philadelphia MD and Pennsylvania

A JPMCC Senior Vice President served as a member of the affordable housing loan committee throughout the examination period for The Reinvestment Fund (TRF). The officer represented the Bank on the committee and took a leadership role in making loan decisions.

In 2011, Chase USA affiliate employees provided a high level of technical assistance on a 1.9 acre mixed-use residential and retail project that includes affordable housing in a plan to redevelop and revitalize a LMI area in Philadelphia. The project closed in January 2012, after the CRA examination evaluation period, and will be considered in the Bank's next CRA evaluation. Technical assistance, however, was provided six months prior to the January 2012 closing. The closing would have been doubtful without the level of technical assistance provided.

Bank representatives demonstrated leadership by coordinating with numerous participating parties to bring together various aspects of the project. The extensive technical assistance and coordination with fourteen entities to ensure the successful completion of this project is considered complex. The project utilized a combination of public financing sources from Federal, state, and local sources, including LIHTC, Federal Home Loan Bank Affordable Housing Program, Office of Housing and Community Development Housing Trust Fund Program, and NMTC. Throughout the six-month span, JMCC employees helped facilitate obtaining LIHTC, worked with multiple NMTC recipients, sponsored an affordable housing grant application, and helped to facilitate a bridge loan.

Chase USA's affiliate, JPMorgan Chase Bank, provided Electronic Benefits Transfer (EBT) services to recipients of certain government benefits such as food stamps and cash assistance. The affiliate bank processes monthly benefits and provides debit cards allowing recipients convenient access to their public assistance benefits. JPMorgan Chase Bank provides the services at no cost to the recipients. EBT services include free access to Chase's automated teller machines and hundreds of thousands of point-of-sale locations within Pennsylvania and states included in the Bank's broader regional area and areas outside of its AA.

JPMCC employees also provided foreclosure prevention counseling to 228 LMI individuals in Philadelphia County and Delaware County. However, we gave limited consideration for this CD service because of negative community group public comments, the high number of consumer complaints received, and other weaknesses identified regarding mortgage mitigation and foreclosure issues.

Fair Lending or Other Illegal Credit Practices Review

We conducted a number of fair lending examinations. The results of those examinations were considered in concluding on the Bank's overall rating.

During the evaluation period, we identified substantive matters which negatively impacted the Bank's CRA rating. The following matters were given serious consideration in this evaluation:

- We considered the Bank's actions in the handling of sworn documents and related compliance with the Servicemembers Civil Relief Act.
- We also considered the level of compliance with section 5 of the Federal Trade Commission Act's prohibition regarding unfair and deceptive acts and practices for ancillary products provided by the Bank and its affiliates.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA): A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area: A qualified Community Development activity benefits the AA if (i) the activity benefits areas within the AA, or (ii) the activity has the potential to benefit the AA and is located in the broader statewide or regional area that includes the bank's AA. If a bank has adequately addressed the needs of its AA, then the OCC also considers activities submitted by the bank that benefit areas outside of its AA.

Census Tract (CT): Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community Development (CD): Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of LMI individuals.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Limited Purpose Institution: An institution which offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as a “limited purpose bank” is in effect.

Median Family Income (MFI): The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the U.S. Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

Metropolitan Division (MD): As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Net Operating Income: As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments

Pass-Through Receivables: Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income.

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.