

March 15, 2004

Mr. Jay Bernstein
Bank Supervision Officer
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045-0001

Re: JP Morgan Chase and Bank One Merger

Dear Mr. Bernstein:

I am writing from Woodstock Institute to comment on the proposed acquisition of Bank One by J.P. Morgan Chase. Woodstock Institute is a Chicago-based national community development research and advocacy organization and a member of the National Community Reinvestment Coalition. The Institute convenes the Chicago CRA Coalition, an association of over 50 Chicago-area community groups with a mutual interest in working with financial institutions to increase lending, investments, and bank services in the region's lower-income and minority communities.

The acquisition of Bank One has major consequences for the Chicago area. The loss of a bank headquarters results in job loss, less civic interest and commitment, and less detailed knowledge of the local community. It also tends to result in less interaction between senior bank staff and the variety of people involved in community development in underserved communities. But a bank merger, if the bank is willing, may give community groups the opportunity to engage in discussion with the bank(s) about future community reinvestment goals.

In 1998, the Chicago CRA coalition negotiated a six-year, Chicago six-county region agreement with First Chicago/NBD-Bank One. The shape of that agreement was very much influenced by the 1995 rewrite of the CRA regulations. The agreement was for specific year-by-year targets (expressed as LMI-MUI market share ratios) for home and small business lending, and significant targets for bank investments and services. The Coalition has subsequently met regularly with Bank One to review progress toward those goals. Such agreements, in our view, have great utility because they are concrete and reviewable. In contrast, the multi-billion dollar pledges made by other banks on similar occasions have no value because they contain no detail and, therefore, cannot be reviewed or otherwise examined. These banks usually announce, after several years, that they have achieved their goals. Indeed, it is not even clear whether these pledges, were they broken down by years, products, and localities would even represent an increase in the bank's community reinvestment activities over prior years. I should add, in passing, that we find it most disturbing that the Federal Reserve Board permits such pledges to be included in bank applications without checking whether previous pledges

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were honored or indeed what the current pledge means for community reinvestment activity. I doubt that the Board would accept meaningless data for safe and soundness or other reviews during the application procedure.

However, in the present case, Bank One and JPMC have entered discussions with the Chicago CRA Coalition to renegotiate the 1998 agreement. We are pleased that these discussions have also been about concrete, verifiable goals. The banks and the CRA Coalition have come to an agreement about a number of issues. The new agreement includes targets, expressed as market share ratios, for home and small business lending, provisions for guarding against the origination and purchase of predatory loans, for reducing foreclosures, for various special products designed for special groups of customers, the addition of bank branches in LMI areas, and increased levels of community development grants and investments. The agreement also contains provisions for the regular review of data that permit effective monitoring of the agreement.

In our view this agreement contains a practical and sound set of goals for community reinvestment activity in the Chicago six-county metropolitan region.

We note with much regret, however, JPMC's refusal to enter similar discussions with community groups and coalitions in other key markets. Without local, verifiable goals, CRA activity is not likely to live up to its potential for serving the needs of lower-income people and communities.

I should also note our deep concern at the Federal Reserve Board's dilatory response to requests for a public hearing on the merger in New York and Chicago. As of this writing, numerous community groups, the senior U.S. senator from Illinois, the lieutenant-governor of the state, and **the bank itself** have asked for public hearings. In the light of these broadly-based requests, we cannot imagine what publics the Federal Reserve Board thinks it is responsive to given its failure to react positively and in a timely manner.

Sincerely,

Malcolm Bush
President

MB/bab

cc. Ms. Jennifer J. Johnson
Secretary
Board of Governors, the Federal Reserve System