



Comptroller of the Currency
Administrator of National Banks

Wholesale

Public Disclosure

November 4, 2002

Community Reinvestment Act Performance Evaluation

**J. P. Morgan Trust Company, N.A.
Charter Number: 23470**

**1800 Century Park East
Los Angeles, California 90067**

**Office of the Comptroller of the Currency
Large Bank Supervision
250 E Street, SW
Washington, D.C. 20219**

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 Outstanding

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of community development lending, community development services, and qualified investment activity, particularly investments that are not routinely provided by private investors.
- The bank demonstrates occasional use of innovative or complex qualified investments, community development loans, or community development services.
- The bank demonstrates excellent responsiveness to credit and community development needs in its assessment areas.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities from October 18, 1999 through November 4, 2002. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the bank's request, we also considered qualified investments, community development lending, and community development services provided by its affiliates. These affiliates include J. P. Morgan Chase Bank, J. P. Morgan Mortgage Capital Corporation, and Chase Manhattan Home Mortgage Corporation. At the prior examination dated October 18, 1999, we rated the bank Outstanding.

If a bank has adequately addressed its assessment area needs, the OCC considers CD activities the bank submits that benefit areas outside of its assessment area in the evaluation of its performance. This bank has adequately addressed the needs of its assessment area, and therefore, outside of assessment area qualified investments, community development loans and services were considered in evaluating its performance.

Allocation of capital, income, receivables

This evaluation rates the overall CRA performance of the J. P. Morgan Trust Company, N.A. (JPMTC) as well as performance in the States of Florida and California. The overall rating is based on the CRA performance of the bank in each state. The ratios in the family of financial measures contained in this public evaluation were derived by allocating bank capital and income to the states and assessment areas, where feasible and reasonable. The allocation is based on the amount of banking deposits contained in each of the states and assessment areas. JPMTC deposits total \$106,894 thousand. Of this total, \$17,832 thousand or 17% are on deposit in the California branch; \$58,422 or 54% are attributed the Miami branch and the remaining \$30,640 or 29% are in the Palm Beach office. Therefore, we allocated 17% of income and capital to California, 54% to Miami and 29% to Palm Beach. Community development loans, investments and grants are presented as follows:

- Those located inside the assessment areas are contained in the column titled "Benefits AA".
- Those that benefit not only the assessment area, but also a broader regional area are also contained in the "Benefits AA" column.
- Those completely located outside of the assessment area but inside Florida or California is contained in the "Outside AA" column for each state.
- Those located outside of the Florida and California are aggregated and allocated based on the deposit ratios noted above. The resulting dollars are then included in the "Outside AA" column for each state.

Description of Institution

The J. P. Morgan Trust Co., N.A. (JPMTC) is headquartered in Los Angeles California. It offers trust and private banking services in several states. The bank, which was granted a “Wholesale” designation in February 1998, has branch-banking offices in Los Angeles California, Miami Florida and Palm Beach Florida. In addition, the bank has 21 business offices in 10 states. These business offices do not take deposits. JPMTC is the result of a December 2001 internal consolidation of 4 separate trust banks all owned by J. P. Morgan Chase (holding company). The bank, which had total assets of \$453 million at June 30, 2002, has three basic operating segments:

Private Banking – provides personal trust, investment management, custodial services and banking products to high net worth individuals. Working with other JPMTC affiliates the bank also offers brokerage services.

Corporate Trust Activities – provides trust services to corporations and municipalities within the Eastern, Southeastern and Western regions of the U. S. The primary services offered by this segment are trustee, registrar and paying agency services with respect to corporate and municipal debt securities and various types of escrow services for corporate entities.

Institutional Custody Services – the Global Investor Services segment provides custody and limited trust deposit services to large insurance companies domiciled or doing business in California.

JPMTC does not engage in consumer lending and deposit taking is institutional or from high net worth private banking clients. However, lending and deposit services can be provided to bank customers through affiliates of J. P. Morgan Chase and Co., the holding company.

J. P. Morgan Chase and Co. is a global financial services institution with June 30, 2002 assets exceeding \$741 billion. The Corporation is headquartered in New York City. Principal banking subsidiaries include J. P. Morgan Chase Bank, New York and Chase Manhattan Bank, USA, N.A., Newark DE. At the bank’s request, we considered the activities of several affiliates. They include: J. P. Morgan Chase Bank, J. P. Morgan Mortgage Capital Corporation, and Chase Manhattan Home Mortgage Corporation.

Table 1: Financial Information (000s)

	Year-end 1999	Year-end 2000	Year-end 2001	Most Recent Quarter-end 06/30/2002	Average for Evaluation Period
Tier 1 Capital	24,763	22,477	130,355	144,522	80,529
Total Income **	11,974	18,433	113,664	108,682	63,188
Net Operating Income **	1,249	1,372	17,687	14,614	8,730
Total Assets	91,479	75,677	464,171	452,668	270,999
Managed Assets	761,132	794,835	10,266,961	11,082,636	5,726,391

Source: Consolidated Report of Condition and Income and bank reported data. **Annualized data reported.

State Rating

State of Florida

CRA Rating for Florida: Outstanding

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of community development lending, community development services, and qualified investment activity, particularly investments that are not routinely provided by private investors.
- The bank demonstrates occasional use of innovative or complex qualified investments, community development loans, and community development services.
- The bank demonstrates excellent responsiveness to credit and community development needs in its assessment area.

Description of Assessment Areas

JPMTC has two assessment areas in the State of Florida. They are the City of Miami and the Town of Palm Beach.

Miami Assessment Area

JPMTC's Miami assessment area consists of the City of Miami. The bank has one branch office in the urban business district. As of June 30, 2002, 54% of the bank's deposits are attributed to this branch. See comments under "Allocation of loans, investments, grants, income and capital" in the scope section of this Public Evaluation. According to the 2000 census, the population of Miami is 382 thousand. HUD adjusted median family income for 2002 is \$41,700. Only 35% of housing units are owner occupied, and 31% of Miami households have incomes below the poverty level. The August 2002 unemployment rate was 7.6%.

Miami has an extremely diverse economy. Major industries include trade with Latin America, construction, tourism and services. The proximity of the Caribbean, Central America and South America coupled with a superior seaport and large airport has made Miami a global trading center. There are no perceived barriers to lending or investing in Miami. Lending and investment needs center on housing (including low income housing tax credits) and small businesses. Service needs include health and human services, childcare, shelter and economic development. Competition for lending and investment in Miami as well as the entire Miami-Dade MSA is strong. There are numerous community and regional bank offices as well as offices of large banks and other financial institutions such as credit unions and brokerage firms. The large banks, along with national mortgage companies are the main home lenders in Miami.

These same large banks are very competitive for qualified community development loans and investments.

Table 2: Miami Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tract	79	37%	41%	15%	7%
Families	97,260	40%	20%	16%	24%
Businesses	47,837	30%	40%	17%	13%

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

Palm Beach Assessment Area

JPMTC’s Palm Beach assessment area consists of the Town of Palm Beach. This AA is made up of four upper income census tracts. The bank has one branch office in the downtown business district. As of June 30, 2002, 29% of the bank’s deposits are attributed to this branch. See comments under “Allocation of loans, investments, grants, income and capital” in the scope section of this Public Evaluation. According to the 2000 census, the population of Palm Beach is 10,500. HUD adjusted median family income for 2002 is \$89,408. Only 45% of housing units are owner occupied, and only 7% of Palm Beach households have incomes below the poverty level. The August 2002 unemployment rate was 8.7%.

Local economic conditions are healthy, but unemployment has been increasing over the last few years. The Town of Palm Beach and the surrounding Palm Beach County continues to experience economic and population growth. The primary industry in Palm Beach is supporting the number of retirees residing there. This includes retail, real estate, healthcare and financial services. Numerous financial providers, ranging from small banks to branches of large banks are in the area. Businesses are predominantly small. Credit needs center on serving the small businesses in the area and on affordable housing. The 2002 median housing cost of the AA is \$450 thousand.

Table 2: Palm Beach Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tract	4	0%	0%	0%	100%
Families	3,545	8%	7%	11%	74%
Businesses	2,876	0%	0%	0%	100%

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

As part of the CRA performance evaluation we requested input from the OCC Community Affairs Officer assigned to the State of Florida to determine the opportunities for CD lending and investments in the AA. Our research confirms that there are opportunities for community development lending and investments and that the credit needs in the Miami and Palm Beach AAs are as mentioned above. We also concluded the bank has more than adequately addressed the needs of the AAs. Therefore, we are permitted to consider out of assessment area loans and investments in the bank’s overall performance.

Conclusions About Performance

Summary

- JPMTTC has a high level of qualified investments, community development loans, and community development services in Florida. Qualified investment and community development loan levels are commensurate with the bank's financial capacity and investment and lending opportunities. Qualified investment and community development loans, which total \$78 million, are high in relation to the bank's allocated average capital and income. Private investors do not routinely provide some of the loans and investments originated during the evaluation period. Community development lending is adequate in both assessment areas. The “high level” assessment is driven by the volume of loans in the surrounding areas, the rest of the state and other LMI areas around the country. By assessment area:
 - In the Miami assessment area, the level of qualified investments and community development services is high. Levels exceed those commensurate with bank presence and scope of operations in this area. CD lending levels are adequate.
 - In the Palm Beach assessment area, the level of qualified investment and community development loans is adequate. The bank provided a high level of community development services. CD lending and investment opportunities in the Palm Beach assessment area are limited.
- Several community development loans and services were innovative or complex. The bank occasionally used innovative qualified investments. Many of the services were innovative and new to the market. Many investments, particularly the Low Income Housing Tax Credit issues involved complicated structuring. Also some of the loans, the Seminole Tribe facility for example, required significant effort by the bank to negotiate, structure and close. By assessment area:
 - Several of the loans, qualified investments and services in the Miami assessment area were innovative or complex.
 - Palm Beach assessment area loans and qualified investments were mainstream. The bank did use some innovative community development services.
- The bank’s qualified investments, community development loans, and community development services exhibited excellent responsiveness to the credit and economic development needs within its assessment areas. JPMTTC community development loans, qualified investments and grant related programs within the AAs have positively impacted the creation of affordable housing, community development, and economic development initiatives throughout the AAs, the state of Florida, and other LMI areas around the country. Community development services are provided to organizations involved in housing development and rehabilitation, neighborhood revitalization, home ownership counseling,

financial literacy, social services, job training, and small business development and counseling. By assessment area:

- The bank’s qualified investments, community development loans, and community development services exhibited excellent responsiveness to the credit and economic development needs of the Miami assessment area.
- There is little or no investment opportunity in Palm Beach that severely limits the bank’s ability to originate qualified community development loans and investments in the assessment area. However, those loans and investment that were originated as well as those services provided were responsive to the identified needs of the area.

Qualified Investments

During the evaluation period, the bank originated a high level of investments in Florida. The level of total investments originated in the Miami AA is high. The level of investments in the Palm Beach AA is adequate while the level of grants is high. There is little or no investment opportunity in Palm Beach that severely limits the bank’s ability to originate qualified investments in this assessment area. The investments tend to be mainstream while many of the grants were innovative.

The bank adequately addressed the investment needs of the AAs, therefore, credit is given for qualified investments to community development projects and programs that benefit areas outside of the broader assessment area. All of the investments and grants are very responsive to the credit needs of the assessment areas. The following tables exhibit the level of qualified investments and the corresponding percentages.

Table 3a: Qualified Investment Activity (000s)

	Benefits Miami AA	Benefits Palm Beach AA	Outside AA**	Totals
Originated Investments	7,065	25	56	7,146
Originated Grants	114	237	271	622
Prior Period Investments that Remain Outstanding	6,552	0	50	6,602
Total Qualified Investments	13,731	262	377	14,370
Unfunded Commitments*	0	0	0	0

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system. ** Investments included in the Outside AA column have no potential benefit to the AA. Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA.

Table 4a: Qualified Investment Percentages

	Benefits Miami AA (%)*	Benefits Palm Beach AA (%)*	Outside AA (%)**
Total Investments/Average Tier 1 Capital	31.6	1.1	0.6
Total Investments/Average Total Income	40.2	1.4	0.7

* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. ** Investments included in the Outside AA column have no potential benefit to the AA. Calculations reflect capital, income, and receivables, if applicable, allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at www.fdic.gov.

The investments noted above are almost exclusively housing related. The parent J. P. Morgan Chase and Company is a leading investor in National Low Income Housing Tax Credit Funds. The institution works with third party intermediaries who provide debt or equity financing for the construction or rehabilitation of housing that is affordable to low- and moderate-income families and individuals. Many consider this unconventional lending. This is an example of financing that is not normally provided by private investors. Also, many of these funds have very complex structures. Low Income Housing Tax Credits represent \$13.5 million of the Total Qualified Investments. A portion of these credits directly benefited the Miami AA.

Grants are centered in health and human services, housing and community services. JPMTTC is a participant in a program sponsored by the parent who pledged \$1 million nationally, in partnership with the Project JumpStart Coalition, to decrease financial illiteracy. Grants are provided to schools located in low- and moderate- income areas to sponsor financial literacy programs that directly benefit low- and moderate- income students. Several of these schools are in the Miami AA. One innovative grant is to the Low Income Housing Fund. This \$50 thousand grant will be used to build a luxury condominium and a low income housing residence in Palm Beach County. Operating profits from the condominium will be used to subsidize the rent in the low-income residence. This grant fosters low- income housing. Another innovative idea is the use of grants to community development organizations and to local colleges. The CD organizations use the grant money to initiate local programs in low- and moderate- income areas while the college grants are specifically targeted to assist low- and moderate- income students working in these local programs.

Community Development Lending

During the evaluation period, the bank originated a high level of loans in Florida. Several were innovative and were not the type of credit normally originated by other private area lenders. The level of loans originated with both the Miami and Palm Beach AAs is adequate. The “high level” assessment is driven by the volume of loans in the surrounding areas, the rest of the state and other LMI areas around the country. There is little or no CD lending opportunities in Palm Beach. This severely limits the bank’s ability to originate qualified community development loans in this assessment area.

During the evaluation period, JPMTTC and its affiliates made a total of \$63 million in community development loans within the assessment areas or the larger regional area. In addition, the bank issued two letters of credit totaling \$44 million that are considered for community development purposes. These letters of credit are not included in the totals in Table 5a, but are considered as other loan data for this examination. Of the total, \$3.5 million was lent directly into the Miami AA and \$200 thousand into the Palm Beach AA. Since the bank adequately addressed the needs of the assessment areas, it received credit for loans to community development projects located outside the broader assessment area. The following table exhibits percentages for total dollars of community development loans.

Table 5a: Community Development Lending Percentages

	Benefits Miami AA (%)*	Benefits Palm Beach AA (%)*	Outside AA (%)**
Total CD Lending/Average Tier 1 Capital	8.0	0.9	88.9
Total CD Lending/Average Total Income	10.3	1.1	113.3

* Community development loans included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. **Community development loans included in the Outside AA column have no potential benefit to the AA. Calculations reflect capital, income, and receivables, if applicable, allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at www.fdic.gov.

The following describes the most significant community development loans extended during the evaluation period based on dollars committed and advanced, responsiveness to community development needs or features that are innovative and complex.

The bank, through an affiliated mortgage company refinanced 190 apartment units located in eleven buildings, located in the Little Havana neighborhood of Miami, across a number of low- and moderate-income census tracts, ranging from 41.43% MFI to 58.66% MFI. The neighborhood is located within a Community Development Target Area and a Community Development Block Grant Program. All of the current tenants have HUD Section 8 certificates and therefore are paying an average of \$100 rent per month. Due to perceived high risk, private investors do not normally provide this type of loan.

JPMTTC, through the lead bank committed \$3 million to purchase participations in construction and permanent loans originated on new low-income housing, predominately tax credit projects, located in the State of Florida. Overall, a consortium of banks is providing \$83 million in commitments to participate in affordable housing loans. The bank will also provide approximately 3.6% of the financing for each loan originated and serviced by this group. This is an innovative method to foster low-income housing construction. This loan directly benefits the Miami AA and several areas surrounding the Palm Beach AA.

JPMTTC, through the lead bank, provided a \$200 thousand line of credit to the Business Loan Fund of the Palm Beaches. The fund is designed to provide small business credit to those who

do not have ready access to mainstream sources of financing. In addition to small businesses, the Fund also assists local Community Development Agencies. This loan directly benefits the Palm Beach AA.

JPMTC, through the Municipal Finance business unit of the lead bank, provided an irrevocable letter of credit in the amount of \$25,468,494 to the Seminole Tribe of Florida, a federally recognized Indian tribe. The L/C will be used to secure bond financing for the development of a convention facility, conference hotel, and casino located on the Tribe's reservations in Hollywood, Florida and Tampa, Florida, adjacent to existing Seminole gaming facilities. When completed in 2004, the new facilities will replace the existing ones and will create hundreds of new jobs for low- and moderate- income individuals on these reservations. This was a complex credit enhancement that directly benefits the Miami assessment area. Since the reservations, where the work is accomplished, are low- income geographies, this financing serves to further revitalize these areas.

Community Development Services

The bank provided a high level of community development services in both the Miami and Palm Beach assessment areas. JPMCT officers and employees provided their services to 10 community development organizations and programs in the Miami AA and 7 in the Palm Beach AA during the evaluation period. By their consistent involvement on the boards and committees of community organizations, bank employees have been very responsive to credit and community development needs. Their services have supported programs to make homes affordable to low- and moderate-income families, advance affordable housing development, assist small businesses, revitalize distressed communities, counsel low- and moderate-income individuals on housing, employment and financial matters, and provide social services to the poor.

The following describes significant community development services provided during the evaluation period based on the number of low- and moderate-income individuals impacted, responsiveness to community development needs, or innovative and complex features.

Miami Assessment Area

Greater Miami LISC (Miami-Dade County). This organization is the Dade County affiliate of the Local Initiatives Support Coalition (“LISC”) located in New York. LISC serves as an intermediary for local not-for-profits providing both technical assistance and loans when needed. Greater Miami LISC serves all of Dade County and is affiliated with many of the local CDCs. Working with LISC qualifies for Community Development CRA credit. Since 1999, a JPMTC employee has served as a member of the Greater Miami LISC Local Advisory Board. The Advisory Board makes difficult decisions as to the allocation of funds, final approval or denial of loans to the not-for-profits and has general oversight of the local LISC affiliate.

Greater Miami Neighborhoods. This committee oversees the property management of the facilities owned by GMN. These properties are in low- and moderate- income areas and house

low- and moderate- income families. The Development Committee reviews, makes suggestions, and then refers projects to the Board of Directors for approval. During 1999 and 2000, a JPMTTC vice president was a member of the Board of Directors for this statewide non-profit.

Palm Beach Assessment Area

Community Financing Consortium, Inc. ("CFC") CFC, a 501(c)(3) multi-bank not-for-profit consortium, was formed in 1991 to provide below-market financing for the construction of affordable rental and mortgages on for-sale housing in Palm Beach and neighboring counties. CFC has been instrumental in providing over 750 single-family units since its inception in 1991. JPMTTC provided much needed advice and oversight to CFC in helping to structure, document and close two multi-bank loan pools to provide much needed financing to Palm Beach, Broward and Martin Counties in Florida. A JPMTTC employee is currently on the board of directors of this consortium. He actively provides guidance and advice on the operations of the consortium. In addition, JPMTTC continues to provide technical assistance and lines of credit to the following loan pool:

- Small Loan Multifamily Rental Program provides financing to owners of affordable multifamily rental properties located in Palm Beach, Broward and Martin Counties. This program will provide below-market rate financing to qualified borrowers for new construction, moderate or substantial rehabilitation of small properties of from 4 to 100 units and to provide term loans of up to five years. The first mortgage loan amounts will range from a minimum of \$100,000 to a maximum of \$1.5 million.

Palm Beach County Affordable Housing Collaborative A JPMTTC employee was instrumental in the creation of this organization in Palm Beach County. It provides a forum for local advocacy groups, not-for-profits and local governments to meet and address local financial institutions at one time. It produces educational events several times a year depending on the necessity and changes in federal regulations or local government requirements. This Collaborative works on affordable housing issues of low- and moderate- income residents of Palm Beach County. During 1999 and 2000 a JPMTTC employee was a member of its steering committee.

LISC Local Advisory Board for Palm Beach County. JPMTTC continues its support for and close work with LISC in establishing CDCs throughout Palm Beach County. As noted earlier, LISC is a community development intermediary providing technical assistance and loans to local Community Development groups. This support includes cash grants and serving in a senior advisory capacity as a member of the chairing the Executive Committee of the Local Advisory Board for Palm Beach County. A JPMTTC vice president has been an advisory board member with LISC since 1999.

Services provided in other areas of Florida

Community Reinvestment Group, LC (Miami-Dade, Broward, and Palm Beach Counties). This organization works collaboratively to provide community development loans for thrifts in South

Florida. JPMTTC was one of the original founding members and has had board representation since 1999. This organization serves both the Miami and Palm Beach assessment areas.

Broward Community Development Corporation (Broward County). This organization builds affordable housing for low-income individuals with mental illness in Broward County. During 1999 and 2000 a JPMTTC employee was on the Board of Directors of this organization and also served on the Resource Development and Finance, Nominating and Site Development Committees. Broward County is between the Miami and Palm Beach assessment areas.

State Rating

State of California

CRA rating for California: Outstanding

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of community development lending, community development services, and qualified investment activity, particularly investments that are not routinely provided by private investors.
- The bank demonstrates occasional use of innovative or complex qualified investments, community development loans, and community development services.
- The bank demonstrates excellent responsiveness to credit and community development needs in its assessment area.

Description of Assessment Area

JPMTC's Los Angeles assessment area consists of the County of Los Angeles. The bank has one branch office in the urban business district. As of June 30, 2002, 17% of the bank's deposits are attributed to this branch. See comments under "Allocation of loans, investments, grants, income and capital" in the scope section of this Public Evaluation. According to the 2000 census, the population of LA County exceeds 9.5 million. HUD adjusted median family income for 2002 is \$42,940. Over 45% of housing units are owner occupied, and 12% of LA County households have incomes below the poverty level. The August 2002 unemployment rate was 7.0%.

Los Angeles continues to recover from the economic decline of high tech industries. However, the entertainment and garment industries coupled with the busy ports of Los Angeles and Long Beach have revitalized the area. Economic prosperity has been slower to reach lower income areas. The largest industries in the AA in order of importance are services, retail trade, wholesale trade, finance and real estate, manufacturing, and construction. The television and motion picture industry has moved a great deal of its production activity out of Los Angeles. There are no perceived barriers to lending or investing in Los Angeles County. Credit needs continue to center on affordable housing, services for the elderly and LMI residents and support to small businesses. There are numerous community and regional bank offices as well as offices of large regional banks and other financial institutions such as credit unions and brokerage firms. The large regional banks, along with national mortgage companies are the main home lenders in Los Angeles. These same large regional banks are very competitive for qualified community development loans and investments.

Table 2: Los Angeles Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tract	1,652	9%	23%	33%	35%
Families	2,036,104	23%	17%	20%	40%
Businesses	608,916	9%	17%	32%	42%

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

As part of the CRA performance evaluation we requested input from the OCC Community Affairs Officer assigned to the State of California to determine the opportunities for CD lending and investments in the AA. Our research confirms that there are opportunities for community development lending and investments and that the credit needs in the Los Angeles AA are as mentioned above. We also concluded the bank has more than adequately addressed the needs of the AA. Therefore, we are permitted to consider out of assessment area loans and investments in the bank's overall performance.

Conclusions About Performance

Summary

- JPMTC has a high level of qualified investments, community development loans, and community development services in California. Qualified investment and community development loan levels are commensurate with the bank's financial capacity and investment and lending opportunities. Qualified investment and community development loans, which total \$59 million, are high in relation to the bank's average capital and income. Private investors do not routinely provide some of the loans and investments originated during the evaluation period.
- Several community development loans and services were innovative or complex. The bank occasionally used innovative qualified investments. Many of the services were innovative and new to the market. Many investments, particularly the Low Income Housing Tax Credit issues involved complicated structuring. Also some of the loans, the credit facility to a 49-bank consortium for example, required significant effort by the bank to negotiate, structure and maintain.
- The bank's qualified investments, community development loans, and community development services exhibited excellent responsiveness to the credit and economic development needs within its assessment area. JPMTC community development loans, qualified investments and grant related programs within the AA have positively impacted the creation of affordable housing, community development, and economic development initiatives throughout the AA, the state of California, and other LMI areas around the country. Community development services are provided to organizations involved in housing development and rehabilitation, neighborhood revitalization, home ownership

counseling, financial literacy, social services, job training, and small business development and counseling.

Qualified Investments

During the evaluation period, the bank originated a high level of qualified investments in California.

JPMTTC originated over \$17 million in investments in the assessment area and throughout the State of California. Because the bank adequately addressed the investment needs of the AAs, credit is given for qualified investments to community development projects and programs that benefit areas outside of the broader assessment area. JPMTTC also provided \$1,825 thousand in grants to over 350 eligible organizations. All of the investments and grants are very responsive to the credit needs of the assessment areas. The following tables exhibit the level of qualified investments and the corresponding percentages.

Table 3a: Qualified Investment Activity (000s)

	Benefits AA	Outside AA**	Totals
Originated Investments	11,818	5,256	17,074
Originated Grants	790	1,035	1,825
Prior Period Investments that Remain Outstanding	8,131	0	8,131
Total Qualified Investments	20,739	6,291	27,030
Unfunded Commitments*	0	0	0

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system. ** Investments included in the Outside AA column have no potential benefit to the AA. Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA.

Table 4a: Qualified Investment Percentages

	Benefits AA (%)*	Outside AA (%)**
Total Investments/Average Tier 1 Capital	151.5	46.0
Total Investments/Average Total Income	193.1	58.7

* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. ** Investments included in the Outside AA column have no potential benefit to the AA. Calculations reflect capital, income, and receivables, if applicable, allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at www.fdic.gov.

As noted earlier in the *State of Florida section* of this Public Evaluation, JPMTTC, through its parent company is a leading investor in low-income housing tax credit investments. This type of financing is not normally provided by private investors and is complex and in many cases innovatively structured. Other California investments of note include:

A \$6.2 million equity investment was made in a company that operates 6 LaundryMarts in low-income areas in Los Angeles. Of the total, \$3.2 million was advanced during this evaluation period. The LaundryMarts small businesses are combination laundromats and convenience stores. They provide safety and convenience to the residents in the area. It also provides permanent employment to area low-income residents. The investment was originated by the venture capital affiliate of JPMTTC. This is a complex and innovative transaction that assists in neighborhood revitalization.

A \$5 million equity investment was made in a community development venture capital fund. The fund invests in predominantly minority small businesses located in low- or moderate-income areas throughout California. These businesses then generate permanent employment to local low- and moderate-income residents.

Community Development Lending

Community Development lending levels in the Los Angeles AA is high. During the evaluation period, JPMTTC and its affiliates made a total of \$32 million in community development loans within its AA or the larger regional area. Of the total, \$20 million was lent directly into the Los Angeles AA. Since the bank adequately addressed the needs of the assessment areas, it received credit for loans to community development projects located outside the broader assessment area. The following table exhibits percentages for total dollars of community development loans.

Table 5a: Community Development Lending Percentages

	Benefits AA (%)	Outside AA (%)
Total CD Lending/Average Tier 1 Capital	146.9	89.5
Total CD Lending/Average Total Income	187.2	114.1

* Community development loans included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. **Community development loans included in the Outside AA column have no potential benefit to the AA. Calculations reflect capital, income, and receivables, if applicable, allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at www.fdic.gov.

The following describes the most significant community development loans extended during the evaluation period based on dollars committed and advanced, responsiveness to community development needs or features that are innovative and complex.

During the evaluation period, the bank committed \$500,000 to a not-for-profit corporation created by major California financial institutions to act as a catalyst for the development of a significant number of affordable housing units throughout California through the establishment and operation of a loan consortium. The consortium is comprised of 49 financial institutions and lends to developers of affordable housing statewide. The loan is renewed every two years. This type of consortium is very high maintenance and is complex to administer.

The bank advanced \$4.2 million to refinance the mortgage on a 133-unit apartment building in a moderate-income census tract (68.25% MFI), located in a rent-control district in the City of Los

Angeles. The owner originally purchased the property in 1998, as a distressed property that was 48% vacant. The owner has invested \$125,000 in capital improvements and has brought the property to 95% occupancy levels, creating a stabilizing effect on the neighborhood. Average rents for the building's units are \$590, or 16% of the maximum monthly LMI income. This is the type of refinance not normally provided by private investors.

Community Development Services

JPMCT officers and employees provided their services to 14 community development organizations and programs during the evaluation period. In addition, the bank conducted 97 homebuyers counseling seminars, providing counseling to over 2,600 low- and moderate-income individuals throughout the State of California. By their consistent involvement on the boards and committees of community organizations, bank employees have been very responsive to credit and community development needs. Their services have supported programs to make homes affordable to low- and moderate-income families, advance affordable housing development, assist small businesses, revitalize distressed communities, counsel low- and moderate-income individuals on housing, employment and financial matters, and provide social services to the poor.

The following describes significant community development services provided during the evaluation period based on the number of low- and moderate-income individuals impacted, responsiveness to community development needs, or innovative and complex features.

WCLO Mortgage Counseling and Seminars. The Watts/Century Latino Organization (WCLO), based in Los Angeles, worked in partnership with the CMMC Alhambra, CA branch loan officers to provide homebuyer counseling to WCLO clients, who are primarily low- and moderate- income, and present mortgage seminars. The organization assists in housing education and counseling in order to implement their South Central Home Ownership Initiative. Working collaboratively with the public and private sectors, they engage in comprehensive community projects and programs aimed towards the improvement of the quality of life for residents in South Central Los Angeles, including the greater Watts community. Since 2000, 11 seminars have been held with more than 165 people attending.

Community Finance Resource Center. The bank sponsors and provides technical assistance to homebuyer outreach seminars. The seminars have a positive impact in helping low-moderate families begin the home buying process and are part of the organization's Neighborhood Development Initiative. The organization helps low income families overcome barriers to homeownership by providing resources, advocating and educating families about the homeownership process and opportunities in Los Angeles. Two seminars will be held later in the 4th quarter of 2002.

Credit Institute for Economic Development Seminar Recognizing the important role that Community Development Financial Institutions (CDFIs) play in serving the credit needs of LMI markets, JPMTC sponsored a unique credit-training program designed for community economic development professionals, including representatives from low-income credit unions, municipal

loan pools, loan funds, community bankers and technical assistance providers. The course is delivered by a private training firm as a five-day program under the name of CIED, often with scholarship funding and other sponsorship from JPMTTC. CIED helps build the credit skills of people who work for not-for-profit organizations or government agencies that are involved with economic and community development. In addition to sponsoring the seminars, Chase provides technical assistance in the development of the curriculum.

- In 1998, JPMTTC California sponsored the first CIED seminar in Los Angeles, California in a joint venture with Founders Bank, the largest minority-owned and operated bank in California. In 1999, JPMTTC and Founders Bank sponsored an expanded CIED seminar with two new programs called Portfolio Management and Problem Loan Management. Portfolio Management is an advanced two-day program designed to provide professionals with an understanding of the concepts and tools used in managing a commercial loan portfolio. Problem Loan Management is a three-day program designed to provide professionals with the concepts and tools useful in identifying, managing and resolving problem loans to small businesses.
- In October 2000, JPMTTC sponsored its third CIED seminar in a new joint venture with Pacific Asian Consortium in Employment, a community development organization that serves as a resource for identifying, securing, and administering economic solutions to problems of housing, employment and business development. The Consortium works with low- and moderate- income Asians.

Services provided in other areas of California

- Consumer Credit Counseling Services (CCCS) / CreditWorks. Freddie Mac, Chase Housing Finance (CHF) and the National Foundation for Consumer Credit (NFCC) partnered in 2000 to launch the "CreditWorks" mortgage program. CreditWorks is a special loan product with flexible underwriting guidelines. The aim of the program is to assist people burdened with excessive debt and impaired credit to become eligible to purchase a home or refinance in an accelerated time period. It is offered exclusively for clients of NFCC (locally known as CCCS) who are enrolled in the CCCS Debt Management Program (DMP). These clients are primarily low- and moderate- income. CHF is participating in 10 Chase retail markets, including Inland Empire, CA; Sacramento, CA; San Diego, CA; Los Angeles, CA; and San Francisco, CA. Training was conducted in each of these markets and brought together the local offices of CCCS, CHF and Freddie Mac. Flyers and mailing inserts were developed in English and Spanish. During 2000, 2001, and 2002, more than 1,300 people attended 39 CMMC/ CCCS credit seminars in the state of California.
- Multicultural Homeownership Center – Oakland. Lao Family Association is the lead agency in the effort of establishing a multilingual homeownership-counseling center for LMI Asians in the East Oakland area. A Chase Manhattan Mortgage Corporation (CMMC) officer served on the program committee and was instrumental in establishing this center. The Center has now hired a coordinator to pull the program together and should be fully operational by the end of 2002.

- Sacramento Valley Organizing Community - Mobile Homebuyer Counseling Unit. A CMMC officer served on the steering committee of this non-profit agency, which developed a mobile homebuyer counseling unit to serve low income farm workers, predominantly Hispanics, in the Solano county area. The Chase foundation also donated \$3000 to the non-profit agency in 2001 for their operating expenses.

Fair lending Review

An analysis of 3 years public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted with the CRA evaluation this year.

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 assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-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.

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 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 or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually 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.

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 Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

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

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.

Wholesale Institution - An institution that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers and for which a designation as a wholesale bank is in effect. An institution will not be considered in the business of extending loans to retail customers if it does not hold itself out to the retail public as providing such loans and the institution's revenues from extending such loans are insignificant when compared with the revenues from its overall lending operations. Wholesale institutions may engage in very limited retail lending if this activity is incidental and is done on an accommodation basis.