



## **PUBLIC DISCLOSURE**

December 31, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Chase Bank USA, N.A.  
Charter Number: 23160

201 North Walnut Street  
Wilmington, DE 19801

Office of the Comptroller of the Currency

Large Bank Supervision  
400 7th Street S.W.  
Washington, DC 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 good level of community development (CD) lending, CD services, and qualified investment activity.
- The bank demonstrates extensive use of complex qualified investments, CD loans, and CD services.
- The bank demonstrates excellent responsiveness to credit and CD needs in its assessment area (AA).

## **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 or "the bank") issued by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, for the evaluation period starting January 1, 2012 through December 31, 2014. 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, the OCC reviewed CD activities from January 1, 2012 through December 31, 2014. The OCC reviewed the level and nature of qualified investments, CD lending, and CD services. At the bank's request, the OCC also considered qualified investments, CD lending, and CD services provided by its affiliates. At the prior evaluation dated April 2, 2012, the OCC rated the bank Satisfactory. There are no known legal, financial, or other factors impeding Chase's ability to help meet the credit needs of its AA.

## **Description of Institution**

Chase, headquartered in Wilmington, Delaware, has a significant corporate 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 office and is only available to bank employees. Chase does not offer direct consumer products to non-employees from the Wilmington branch. Chase is a wholly owned indirect subsidiary of

JPMorgan Chase & Co. (JPMCC), a global financial services firm with assets of \$2.6 trillion as of December 31, 2014, 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, 2014, Chase had assets of \$130.7 billion, deposits of \$46.1 billion (of which less than 1% were foreign deposits), and tier 1 capital of \$14.6 billion. There were no mergers or acquisitions during the examination period.

The majority of Chase'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. Table 1 details Chase's financial information.

**Table 1: Financial Information (000s)**

	Year-end 2012	Year-end 2013	Year-end 2014	Average for Evaluation Period*
<b>Tier 1 Capital</b>	9,648,304	12,956,247	14,555,993	12,386,848
<b>Total Income</b>	14,417,118	14,218,051	13,031,955	13,889,041
<b>Net Operating Income</b>	4,304,328	5,122,310	3,450,299	4,292,312
<b>Total Assets</b>	120,651,536	123,041,284	130,662,640	124,785,153
<b>Pass-Through Receivables/Managed Assets</b>	93,253,831	90,820,519	93,139,038	92,404,463

Source: Consolidated Report of Condition and Income and bank reported data

\*The Average for Evaluation Period is the average of the numbers in the row.

Given the nature of Chase's business and its designation as a Limited Purpose Bank under the CRA, Chase has put in place a CRA program to meet the credit needs of its AA through direct CD lending and qualified investments in the AA and broader regional area, and the delivery of CD services in the AA. Its employees collaborate with non-profit organizations in the AA to provide CD services, including board memberships, technical assistance, and financial education. The program relies on CD activities delivered by affiliates to benefit Chase's AA.

The following affiliate business units primarily provide CD activities for Chase's AA:

- 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's footprint.
- Commercial Term Lending provides permanent mortgages for multi-family rental properties in LMI communities, which helps to preserve the availability of affordable rental housing, as the average rent on these properties is affordable to LMI residents.
- Tax Oriented Investments provides investments in Low-Income Housing Tax Credits (LIHTC), which provide much needed equity for affordable housing.
- Mortgage Banking purchases CRA-eligible bonds from the Delaware State Housing Authority, the State of Delaware and the Philadelphia Redevelopment Agency.

- 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.

The JPMorgan Chase Foundation makes all CD grants. All CD loans and investments are held in the following: JPMCB; FNBC Leasing Corporation; Washington Mutual Community Development, Inc.; Chase Community Development Corporation; Chase New Markets Corporation; Banc One Community Development Corporation; ICIB Fund I Holdings, Inc.; Protech Tax Credit Fund II, LLC; Protech Tax Credit Fund III, LLC; Providian Bancorp Services; FA Out-of-State Holdings, Inc.; RPC SPE, LLC; Chase Community Equity, LLC; Chase NMTC Refresh Investment Fund, LLC; Conglomerate - Master NMTC Investment Fund; JPMorgan Chase & Co.; First Chicago Leasing Corporation; JPM Capital Corporation; JPMorgan Housing Upper Tier 2, LLC; J.P. Morgan Chase Community Development Corporation; JPMorgan Housing Upper Tier 3, LLC; Banc One Neighborhood Development Corporation; NBD Community Development Corporation; CL II Holdings LLC; CL II Management LLC; CL III Management LLC; Commercial Lending LLC; Commercial Lending II LLC; Commercial Lending III LLC; Community Capital Markets LLC; NMTC Management LLC; Guilford Capital Fund II, LLC; Plainfield Tower West, LLC; and, Several Chase New Markets Corporation (CNMC) Sub CD entities.

## Description of Assessment Area

Chase’s AA is comprised of three whole, contiguous counties, which are primarily urban, within the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD multistate metropolitan statistical area (MMSA). The three counties are New Castle County, Delaware County, and Philadelphia County. These three counties are located within two different metropolitan divisions (MDs). New Castle County is one of three counties in the Wilmington DE-MD-NJ MD. The other two counties that comprise the Wilmington DE-MD-NJ MD are Cecil County, Maryland, and Salem County, New Jersey, and are not part of the bank’s AA. Delaware and Philadelphia counties comprise the entire Philadelphia PA MD. The larger MMSA also includes the Camden NJ MD (three counties) and the Montgomery-Bucks-Chester PA MD (three counties), which are not part of the bank’s AA. The bank’s AA meets legal requirements and does not exclude any LMI areas. Chase’s broader regional and statewide area includes the states of Maryland and Virginia, the District of Columbia, along with the rest of Delaware and southeastern Pennsylvania.

Table 2 provides a summary of AA statistics based on 2010 U.S. Census data:

**Table 2: Assessment Area Description**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	659	11.65%	25.62%	27.95%	34.78%
<b>Families</b>	582,117	23.78%	16.39%	18.02%	41.81%
<b>Businesses</b>	176,683	7.19%	18.73%	25.42%	48.67%

Source: Demographic Data - 2010 U.S. Census & 2014 Dun & Bradstreet Data. Percentages represent families by income level and businesses by income level of census tract. Number of tracts includes 15 census tracts without income data.

The 2010 U.S. Census reported the total population of these three counties as over 2.6 million. There are approximately 2.1 million people residing in Delaware and Philadelphia counties, and there are approximately 539 thousand people residing in New Castle County, Delaware. The two largest population centers are Philadelphia, Pennsylvania and Wilmington, Delaware.

There are approximately 1.1 million total housing units in the AA. Owner-occupied housing units accounted for 55 percent, rental occupied units accounted 34 percent, and vacant housing units accounted for 11 percent. Approximately 82 percent of the housing units in the AA are to one-to-four family units. Based on the 2010 U.S. Census data, the weighted average median housing value for the AA was \$197 thousand. For New Castle County, the weighted average median housing value was over \$263 thousand. The weighted average median housing value for Delaware and Philadelphia counties combined is \$182 thousand. According to the National Association of Realtors year-end 2014 data, the median sales price of existing single-family homes was approximately \$221 thousand for the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MMSA. Housing affordability remains a challenge in the area, especially for LMI families.

The 2014 U.S. Department of Housing and Urban Development (HUD) updated median family income for the three counties was \$59 thousand. The 2014 HUD updated median family income for New Castle County was approximately \$79 thousand, meaning low-income families earn less than \$39 thousand and moderate-income families earn less than \$63 thousand. In New Castle County, 9.46 percent of households are below the poverty level. The 2014 HUD update median family income for Delaware and Philadelphia counties was \$54 thousand, meaning low-income families earn less than \$27 thousand and moderate-income families earn less than \$43 thousand. Approximately 20 percent of households in Delaware and Philadelphia counties are below the poverty level.

According to the Bureau of Labor Statistics, the December 31, 2014 non-seasonally adjusted unemployment rate for the state of Delaware was 4.6 percent, and the unemployment rate for New Castle County, Delaware was 4.2 percent. The unemployment rate for the state of Pennsylvania was 4.6 percent, the unemployment rate for Delaware County, Pennsylvania was 4.5 percent, and the unemployment rate for Philadelphia County, Pennsylvania was 6.7 percent. The national unemployment rate as of December 31, 2014 was 5.4 percent.

According to Moody's Analytics, the Wilmington economy has been slowly recovering from the effects of the 2007 Great Recession and is positioned to continue to improve. There has been job growth in professional business services, finance, education, healthcare and hospitality; however, growth in low-wage jobs has been outpacing growth in high-wage jobs since the recovery began. The pace of home sales has yet to rebound from the recession, despite low prices. The housing recovery could be slow until the quality of new jobs improves. The size of the foreclosure inventory has not shrunk appreciably since 2012. There are new filings and the distressed inventory is moderating price growth. New Castle County is a challenging area in the state of Delaware, specifically the city of Wilmington. Crime in the underserved neighborhoods and not having a concrete strategic plan for Wilmington contribute to the challenges in the area. The Wilmington MD is positioned for growth as its port undergoes expansion. In the long term, this MD is expected to be an above average performer in terms of job and income gains. The housing market is projected to improve with the job recovery and increased consumer confidence. Business-friendly tax laws and the solid financial industry will remain key advantages.

According to Moody's Analytics, the Philadelphia economy has also been slowly recovering from the effects of the 2007 Great Recession. In 2012, the Philadelphia economy was at risk of sliding back into a recession as the labor market failed to improve and house prices continued to fall. Additionally, the government shutdown weighed on Philadelphia's economy in the fourth quarter of 2013. During 2014, a building boom and an improving mix of jobs fueled Philadelphia's economy and the economy remains in a recovery status. Some areas of Philadelphia are experiencing devaluation of residential housing due to the impact of a high number of foreclosed and abandoned homes. There are parts of Philadelphia where housing is not an issue and values have risen as high as \$400 thousand. Philadelphia has a heavy reliance on education and healthcare. These areas, along with hospitality, are expected to drive growth in Philadelphia. Philadelphia is expected to expand at a moderate pace as healthcare and construction increase.

Financial services, healthcare, education, manufacturing, and pharmaceuticals are the major industries in the AA. After the Federal, state and local governments, major employers in Chase's AA are:

- New Castle County: Christiana Care Health System, E. I. du Pont de Nemours & Company, Bank of America, JPMorgan Chase & Co, and the University of Delaware.
- Philadelphia County: Jefferson Health System, University of Pennsylvania, University of Pennsylvania Health System, Temple University, Comcast Corporation, and Christiana Care Health System.
- Delaware County: The Boeing Company, Crozer-Chester Medical Center, Villanova University, and Wawa, Inc.

Chase operates in a highly competitive environment, with 78 financial institutions operating 643 branches in the AA. According to the June 30, 2014 FDIC deposit market share data; FIA Card Services had the largest deposit market share in the AA at 26.39 percent. Chase ranks fourth with an 11.18 percent deposit market share. Capital One, TD Bank, HSBC Bank, USA, Wells Fargo, PNC Bank, Citizens, and Bank of America are some of Chase's top competitors in the AA.

Based on recent community contact information, information obtained from bank management, and OCC analysis, CD needs in the AA include:

- Affordable housing for LMI households, including rehabilitation assistance;
- Revitalization of areas that are blighted from abandoned, dilapidated and foreclosed properties;
- Economic development;
- Improved education in high poverty schools;
- Financial education and literacy;
- Participation on the Board of Directors for CD organizations;
- Small business startup and capital financing; and
- Homeownership and foreclosure prevention counseling.

While CD opportunities are available, the presence of 78 other financial institutions, including the major financial institutions identified above, creates significant competition for the available CD opportunities in the bank's AA. As mentioned in the description, Chase maintains one office, engages only in credit card operations, and does not engage in the business of originating commercial or CD loans, unlike their major financial competitors who have numerous retail branches and engage in consumer and commercial lending.

## Conclusions about Performance

### Summary

- Chase provided a good level of CD qualified investments, grants, loans, and services, when considering its capacity, opportunities, and the highly competitive CD environment in the AA. The bank's overall performance is further supported by CD loans and service activities in the broader regional and statewide area.
- Chase demonstrates extensive use of complex qualified investments and CD loans.
- The bank's qualified CD investments, grants, loans, and services exhibited excellent responsiveness to the credit and CD needs of the AA, especially affordable housing. In addition, many Chase bank and affiliate employees served on boards and committees, often in leadership roles, of primarily affordable housing and community service organizations delivering financial literacy education and credit counseling, and providing other financial services.

### Projects Involving Multiple Community Development Activities

Projects involving multiple CD activities include the following examples:

- The bank played a leadership role in coordinating complex financing for Paseo Verde, a comprehensive community revitalization project in Philadelphia. The development is located in a low-income geography that qualifies as an area of increased economic distress under the NMTC program due to its median income (24 percent of the area median income), level of poverty (62 percent), and level of unemployment (26 percent). The bank's financing consisted of a \$11.8 million LIHTC investment for affordable housing development, a \$9.4 million NMTC investment for the development of commercial and community space, construction loans totaling \$13.8 million, and bridge loans totaling \$7 million. The bank also successfully sponsored a \$520 thousand San Francisco Federal Home Loan Bank Affordable Housing Program grant and provided a \$139 thousand Letter of Credit in further support of the project. The development will produce 120 residential units, including 53 units of affordable housing for families earning less than 60 percent of the area median income. The development will also produce commercial space for several retailers and large nonprofit agencies. The nonprofits will provide social services targeted to LMI residents including various counseling and recovery programs, medical services, and legal assistance. The project is highly responsive to identified needs for affordable housing, revitalization, and community services. NMTC projects are inherently complex due to the investment structure requiring multiple funding sources, each with its own disbursement, monitoring, and compliance requirements.

- The bank provided complex financing consisting of a \$10.2 million NMTC investment and a \$3 million loan to construct a Community Health and Literacy Center in South Philadelphia. The project revitalizes a vacant city-owned block in a moderate-income geography. The development will provide efficiencies in the delivery of family-centered, quality medical care to underserved adults and children through consolidation of a children’s hospital, two health care centers, a library, and recreational facilities into a single complex. In addition to creating 234 temporary construction jobs, the development will facilitate the retention of 140 permanent jobs at the hospital, health center, library, and recreation center. The construction and operation of the new complex also expects to support 40 jobs indirectly, and to have a regional economic impact of more than \$47 million. The project is highly responsive to an identified need for revitalization in the City of Philadelphia.
- The bank provided complex financing consisting of a \$9.5 million LIHTC investment and a \$4.7 million construction loan to renovate an apartment complex in Newark, Delaware consisting of 100 affordable rental units. All units are reserved for tenants earning 60 percent or less of the area median income. The project is complex due to multiple sources of financing and the bank’s role in syndicating the LIHTC. In addition to the bank’s equity investment and construction loan, the project received HOME funding and loans from the Delaware State Housing Authority. The renovation is highly responsive to an identified need for affordable housing.
- The bank provided complex financing consisting of a \$5.2 million NMTC investment and a \$3.5 million loan for the construction of a K-8 charter school serving 500 low-income students in Philadelphia. The facility is located in a moderate-income geography and a former brownfield site<sup>1</sup>. The area qualifies as an area of increased economic distress under the NMTC program due to its 76 percent area median income and 13 percent poverty level. In addition, the facility will create 60 permanent jobs and provide adult workforce training. The project is highly responsive to identified needs for education and workforce training.
- The bank played a leadership role working together with the city and state, and donating \$910 thousand for a five-year program to develop affordable housing, provide youth programs, job training, and financial training for LMI individuals in the eastside community of Wilmington, Delaware. The grants supported six different CD organizations and three employees served on the Boards of Directors of three community groups leading the eastside initiative. The project is highly responsive to the identified needs for affordable housing and financial education in Wilmington, Delaware.

## Community Development Performance

The aggregate level of performance inside the AA is adequate in meeting identified CD credit needs and as such, the OCC took into consideration the CD investments and CD loans extended to the broader regional areas.

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<sup>1</sup> Brownfield is a term used in urban planning to describe land previously used for industrial purposes or some commercial uses. Such land may have been contaminated with hazardous waste or pollution or is feared to be so. Once cleaned up, such an area can become host to a business development such as a retail park.

## Qualified Investments

There were 180 or \$156 million qualified investments and grants made during the evaluation period that had a purpose, function or mandate of serving the AA. Qualified investments and grants made during the current evaluation period that had a purpose, function or mandate of serving the broader regional and statewide area, including the AA, totaled 56 investments and grants totaling \$50.4 million. Additionally 129 or \$108.9 million in investments made in prior evaluation periods remained outstanding at the end of the evaluation period and provided continuing benefit to the AA and the broader regional and statewide area. The vast majority of these investments and grants focused on providing affordable housing, youth education programs, and financial education for LMI individuals. As such, these investments are highly responsive to the identified needs of affordable housing and education in the AA.

The bank demonstrates extensive use of complex investments. The bank has made 20 investments that are multi-faceted and/or involve multiple financial institutions. The bank demonstrated a leadership role through seven investments by coordinating a combination of loans, investments, grants and services to meet a community need, and by utilizing in-house services to monitor complex investments throughout the life of the projects. One investment is innovative by providing funds for construction of a grocery store within a designated “Food Desert”<sup>2</sup>. All investments served needs routinely provided by other private investors.

The bank adequately meets the CD needs in the AA; therefore, the OCC also considered 138 or \$121.4 million in current period and 216 or \$340.5 million in prior period investments and grants that do not have a purpose, function, or mandate of serving the AA.

Table 3 quantifies the level of qualified investment activity that had a purpose, function or mandate of serving the AA as well as outside the AA.

**Table 3: Qualified Investment Activity (000s)**

	Benefits AA	Benefits Region or State, Including AA	Outside AA	Totals
<b>Originated Investments</b>	\$148,524	\$48,647	\$114,196	\$311,367
<b>Originated Grants</b>	\$7,479	\$1,761	\$7,198	\$16,438
<b>Prior-Period Investments that Remain Outstanding</b>	\$72,835	\$36,063	\$340,554	\$449,452
<b>Total Qualified Investments</b>	\$228,838	\$86,471	\$461,948	\$777,257
<b>Unfunded Commitments*</b>	\$0	\$0	\$0	\$0

\* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 4 provides a breakdown of the bank’s investment activity in relation to its financial capacity in terms of average tier 1 capital, average total income, and average pass-through receivables over the evaluation period.

<sup>2</sup> The USDA, Treasury and US Department of Health and Human Services have defined a food desert as a census tract with a substantial share of residents who live in low-income areas that have low levels of access to a grocery store or a healthy, affordable food retail outlet, affecting an estimated 18.3 million people throughout the US.

**Table 4: Qualified Investment Percentages**

	<b>Benefits AA (%)</b>	<b>Benefits Region or State, Including AA</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	1.85	0.70	3.73	6.27
<b>Total Investments/Average Total Income</b>	1.65	0.62	3.33	5.60
<b>Total Investments/Average Pass-Through Receivables</b>	0.25	0.09	0.50	0.84

Total Investments is found in Table 3. Average Tier 1 Capital, total income, and pass-through receivables are found in Table 1.

The LIHTC investments that have a purpose, function or mandate of serving the AA or broader statewide or regional area that includes the AA totaled 26 or \$36.4 million for the current evaluation period, and 119 or \$83.8 million for the prior period. These investments created approximately 9,328 affordable housing units, including 5,220 units in the bank’s AA. In addition, the bank made 37 LIHTC investments totaling \$67.1 million in the current period and 212 investments totaling \$328.9 million in the prior period, outside the bank’s AA, creating approximately 25,346 affordable housing units.

Throughout the evaluation period, the bank acted as the syndicator for a number of LIHTC developments. The transactions in which the bank acted as the syndicator are complex due to the extensive work to manage all aspects of the transaction from underwriting and origination to lease-up and stabilization. The bank also works with government entities that are providing subsidies or other financiers.

The LIHTC totals noted above include investments, both current and prior periods, in 271 funds totaling \$98.8 million that invest in LIHTC developments. These developments are responsive to the need for affordable housing throughout the bank’s AA by providing new or rehabilitated affordable housing units.

Described below are some of the most significant qualified investments and grants:

- An innovative \$2.3 million NMTC investment to construct a new grocery store in a severely depressed community of Philadelphia, Pennsylvania that is located within a USDA designated “Food Desert”. The grocery store opened in 2013 and created approximately 300 new jobs in the area. In addition, the store provides vital community services as it houses two community rooms, a health clinic, an on-site dietician, and a “benefits bank” to connect area residents to entitlement programs. Coordinating with local public transit, adequate access is guaranteed in this highly impoverished section of Philadelphia, in which 20 percent of households are without vehicles and are more than one-half mile from any supermarket. About 86 low- and moderate-income census tracts are within a reasonable walking distance from the grocery store, and there are 128 census tracts with low access to food within Philadelphia County, Pennsylvania. The project is highly responsive to the needs of the AA by providing vital community services and access to food
- Investments totaling \$42 million in a Delaware State General Obligation Bond to finance the acquisition, construction, and renovation of land for local public school facilities serving LMI

communities, of which \$10 million or 24.5 percent of the bond proceeds target schools in New Castle County. The construction of new public school facilities is highly responsive to the education need in LMI areas in New Castle County, Delaware.

- A \$40 million investment in Senior Single Family Mortgage Revenue Bonds, of which \$30.4 million directly supported affordable housing in New Castle County, Delaware. This is responsive to the identified need for affordable housing in New Castle County by creating 236 affordable units.
- A \$30 million investment in Revenue Refunding Bonds, which support Philadelphia's Neighborhood Transformation Initiative. The initiative is a strategic plan to rebuild low-income neighborhoods by extracting blighted dangerous buildings to create opportunities for redevelopment, creating quality housing, attracting jobs, and safer neighborhoods. In addition, the initiative is responsive by supporting affordable housing and service resource needs of LMI individuals residing within these neighborhoods.
- Grants totaling \$1.4 million to various local CD organizations that provide youth services to children of LMI families throughout the AA. This is responsive to the identified need for educational programs for LMI individuals within the AA.
- Grants totaling \$1.3 million to various CD organizations that provide financial education services throughout the AA, including programs for financial empowerment and literacy, savings programs, homeownership counseling, and foreclosure prevention. This is responsive to the identified need for educational programs for LMI individuals within the AA.

## **Community Development Lending**

Chase has only one office and, as a designated limited purpose bank for CRA evaluation purposes, is engaged exclusively in credit card operations. Given the nature of the institution and its designation as a limited purpose bank, Chase relies on CD loans originated by affiliates that have a purpose, function or mandate of serving the AA.

Lending activities further supported efforts to meet the CD needs of the assessment area. During the evaluation period, Chase affiliates made 15 CD loans totaling \$53 million that had a purpose, function or mandate of serving the AA. Chase affiliates also made five regional/statewide loans totaling \$59 million with a purpose, function or mandate to serve the bank's AA. The OCC concluded that the bank was responsive to AA needs during the evaluation period based on the volume, responsiveness, and complexity of its CD lending activities. Despite strong competition, CD lending inside the AA increased nearly \$9 million (or 9 percent) since the prior evaluation period. Most CD lending in the current evaluation period (70 percent by volume) represents new rather than renewed activity.

A significant portion of CD lending is responsive to an identified and critical need for affordable housing stock. These loans created 375 affordable housing units in the AA. Other loans (15 percent by number, 17 percent by dollar) are responsive to identified needs for revitalization and job creation in the City of Philadelphia. The remaining loans facilitate community services for LMI persons in the AA, including services that address identified needs for quality education and workforce training.

Many of the bank's CD loans relate to complex projects involving multiple sources of financing, coordination of multiple parties, and multiple types of CD activities (including NMTCs).

The bank was responsive to the CD needs in the AA and in the broader regional and statewide area; therefore, the OCC also considered 53 CD loans totaling \$340.9 million made outside the AA. Table 5 recaps CD lending volumes and performance ratios.

**Table 5: Community Development Lending Percentages**

	Benefits AA (%)	Benefits Region or State, including AA (%)	Outside AA (%)	Total (%)
<b>Total CD Lending/Average Tier 1 Capital</b>	0.43%	0.47%	2.76%	3.66%
<b>Total CD Lending/Average Total Income</b>	0.38%	0.43%	2.45%	3.26%
<b>Total CD Lending/ Average Pass-Through Receivables</b>	0.06%	0.06%	0.37%	0.49%

Note: Total CD lending equals the current period CD lending activity (excluding binding CD loan commitments). Average tier 1 capital, total income, and pass-through receivables are found in Table 1.

The following are examples of projects involving some of the bank's most impactful CD loans:

- The bank provided \$59 million in financing to a Philadelphia-based Community Development Financial Institution (CDFI). The organization provides loans and technical assistance to community-based organizations and projects in the Mid-Atlantic region, including financing for affordable housing projects, charter schools, and other community facilities. Many projects undertaken by the organization provide direct benefit to the bank's AA.
- The bank provided a \$4 million revolving credit facility to Wilmington Housing Partnership, whose mission is to create affordable homeownership opportunities in Wilmington, Delaware. Funds are for the development and rehab of three projects in areas targeted by the City for reinvestment, including the Eastside of Wilmington. This investment is responsive to identified community needs for affordable housing and revitalization.

## Community Development Services

Chase and affiliate employee activities are highly responsive to the CD service needs both inside and outside of the AA. Chase and affiliate employees actively provided services to 29 CD organizations and programs that benefit LMI individuals, families and communities in the AA. Chase and affiliate employees actively provided services to five CD organizations and programs that had a purpose, function, or mandate of serving the broader regional and statewide area, including the AA. Approximately 30 bank associates held Board of Directors or committee positions for 20 CD organizations in the AA, and their services were primarily to community service and affordable housing organizations. Within the broader regional and statewide area, including the AA, four employees served on the Board of Directors and held committee positions for four CD organizations.

In addition to being responsive to the needs of the AA, Chase and affiliate employees held Board of Directors or committee positions for three CD organizations, provided technical assistance to four different CD organizations, and hosted eight homebuyer seminars for four CD organizations outside of the AA.

The following are examples of CD services:

- The bank's affiliate provided Electronic Benefits Transfer services that benefited LMI individuals in two states within the AA. The services provided allow government benefit recipients to receive items such as food stamps and cash assistance. The affiliate provides debit cards and processes monthly benefits from the state, allowing recipients immediate access to their public assistance benefits at no cost. The services include free access to Chase's automated teller machines and hundreds of thousands of point-of-sale locations across the AA, the broader regional area, and outside of the AA.
- Two bank executives served on the Advisory Board of a statewide small business development center within the AA. The CD organization is responsive to AA needs by providing resources such as management assistance, educational programs, and other resources to help small businesses. Bank employees served multiple leadership roles for a Delaware CD organization that promotes financial literacy and small business resources within the LMI community. An executive served as both a technical advisor to the business resource program and advisor to an entrepreneurship youth program. Additionally, a bank executive served on the organization's financial committee.
- Bank employees provided multiple homebuyer education seminars throughout the evaluation period. The seminars provided financial education and resources on homeownership services and programs targeted to LMI individuals. Seven different seminars held in Pennsylvania in coordination with three non-profit agencies reached approximately 76 LMI individuals. In addition, bank employees provided technical assistance to eleven CD organizations operating in the AA or statewide regional area with a purpose, mandate, or function of serving the AA. The employees provided the community organizations with the tools necessary to educate LMI individuals and served on loan committees.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution or any affiliate whose loans have been considered as part of the institution's lending performance has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## 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.

**Responsive to Assessment Area:** If a CD activity or the entity engaged in the activity has a purpose, function or mandate of serving the AA or broader statewide or regional area that includes the assessment area, the OCC will consider that activity in evaluating the bank's performance in the AA, and in determining the responsiveness to AA needs and opportunities. If the OCC determines the bank has been responsive to those needs and opportunities, the OCC will also consider activities in the broader statewide or regional area that do not have a purpose, function or mandate of serving the AA in evaluating the overall performance of the bank. The bank has been responsive to the needs and opportunities of its AA, and therefore, all activities were considered in evaluating its performance.

**Census Tract (CT) – 2000:** 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.

**Census Tract (CT) – 2010:** Small, relatively permanent statistical subdivisions of a county delineated by local participants as part of the U.S. Census Bureau's Participant Statistical Areas Program. The primary purpose of CTs is to provide a stable set of geographic units for the presentation of decennial census data. CTs generally have between 1,500 and 8,000 people, with an optimum size of 4,000 people.

**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 CD. 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 low- and moderate-income 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 that 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 limited purpose bank is in effect.

**Median Family Income (MFI) – 2000:** 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 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.

**Median Family Income (MFI) – 2010:** The median income derived from the United States Census Bureau's American Community Survey data every 5 years and used to determine the income level category of geographies. Also, it is the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level of individuals within a geography. For any given geography, the median is the point at which half of the families have income above it and half below it.

**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.