JPMORGAN CHASE

Federal taxpayer bailout received: [*] Lobbying fees in 9 months after bailout:	\$94.7 billion \$4.2 million
Campaign contributions in 2008 federal elec	
Profits for 1998-2008:	\$97.6 billion
Profits for the first half of 2009:	\$4.86 billion
Bank fees for first half of 2009:	\$3.45 billion
Change in bank account fees (2003-08):	+249.5%
Percent of first half 2009 profit from fees:	71%
Credit card income for first half of 2009:	\$3.56 billion
Median JPMorgan Chase bank teller wage:	\$10.58/hour or \$22,006 annually
2008 CEO Jamie Dimon pay:	\$19.7 million (893 times median
	teller wage)
2008 bonus pool:	\$8.7 billion
First half 2009 bonus and compensation poo	ol: \$14.5 billion
Cash bonuses (top 5 execs) last 10 years:	\$254.9 million
Effective tax rate in 2008:	-33.4%
Offshore subsidiaries in tax havens:	53

CRASHING THE ECONOMY:

Role in subprime crisis

- JPMorgan Chase had a hand in the worst of the subprime lending excesses, providing financing to the nation's two largest subprime lenders, Countrywide and Ameriquest. This financing provided the companies with the capital they needed to originate subprime mortgages. JPMorgan Chase also owned a major subprime lender, Chase Home Finance, and has acquired two banks with large subprime operations: Washington Mutual (which owned #5 Long Beach Mortgage Co.) and Bear Stearns (which owned #17 Encore Credit Corp.). Together, these five firms issued over \$295.3 billion in subprime loans from 2005-2007.
- WaMu was a leader in subprime loans and pay-option adjustable rate mortgages ("option-ARMs"), which can actually grow the principal of the loan even as homeowners continue to make monthly payments. Even as the initial signs of a housing downturn became clear, WaMu kept making these risky loans well into 2007. At the end of 2007, over 56% of WaMu's loan portfolio consisted of subprime loans, option-ARMs, and home equity loans.
- Even after the crisis, JPMorgan Chase is up its old tricks, repackaging mortgagebacked securities that have been stuck on their books since the housing bubble burst and selling them as a new product. Known as "re-remics", they simply pull out the worst of the bonds to boost the credit rating without addressing the quality of the underlying mortgages or the faulty structure of the product.

Bailing out the bank

^{*} JP Morgan has repaid its TARP obligations.

- JPMorgan Chase accepted bailouts and backstops totaling \$94.7 billion, with taxpayers still on the hook for \$69.7 billion, plus an unknown amount from the Federal Reserve's \$8 trillion in emergency programs.
- The Bear Stearns bailout in March 2008 was a precursor to the trillion-dollar bailouts that followed six months later. Economists have noted that Bear was not "too big to fail" but rather "too interconnected to fail". Experts have speculated that JPMorgan Chase was exposed to as much as 40% of Bear's \$9 billion of toxic assets, and that Bear Stearns was in reality a lifeline to JPMorgan Chase. As part of the rescue, JPMorgan Chase purchased Bear Stearns at a fire sale price and got taxpayers to guarantee up to \$29 billion in losses.
- Despite large incentives from taxpayers, JPMorgan Chase has started trial mortgage modifications for only 25% of its 417,341 borrowers who are eligible for the Obama Administration's Making Home Affordable Program (and are at least 60 days past due).
- JPMorgan Chase's bailout has not translated to new credit for small business. In fact, the bank's lending to American small business fell by \$227 million (an 70.7% drop) through the SBA's flagship 7a program, from 2008 to 2009 (measuring each only for the first 11 months of each fiscal year).
- Even in the midst of the crisis, JPMorgan Chase maintained \$1.48 billion in outstanding insider loans to bank directors and their companies almost twice as much as the bank with the second highest volume of loans to insiders, Wachovia.

Lavish spending

• JPMorgan Chase spent \$66 million for naming rights to Chase Field in Phoenix, home of the Arizona Diamondbacks.

Back to bonuses as usual

- In 2008, JPMorgan Chase earned \$5.6 billion in income, and yet it awarded more than \$22.7 billion in total compensation, including almost \$8.7 billion in bonuses. With the bonus money alone, JPMorgan Chase could have given each of its bank tellers an estimated \$283,000 raise, nearly 13 times their median salary.
- To help pay for its executives' bloated compensation, JPMorgan Chase has made itself the beneficiary on \$11.1 billion in life insurance policies for its employees and former employees. The bank gets annual tax-free income from investments in the insurance contracts, helping to offset executive compensation expenses, and then receives another tax-free windfall when employees and former employees die.

PROFITING OFF LOCAL AND STATE GOVERNMENTS:

Predatory loans to government

• JPMorgan Chase is making a profit by lending taxpayers their own money. Even after billions in bailouts – including access to ultra-cheap loans from the Federal Reserve, speculated to be as low as 0.5% – JPMorgan Chase is manipulating government budget processes and charging local and state governments high interest rates. In California, JPMorgan Chase at first refused to accept the state's IOUs at a crucial juncture, but eventually acquiesced and forced the state to seek a 3% loan

from it. Even when JP Morgan Chase refinanced the loan to 1.25-1.5%, it still benefited by charging tax payers a new round of fees. In Philadelphia, JPMorgan Chase offered a similar 3% bridge loan, but this one featured an 8% reset if the loan was not paid off by December 1st, creating a ticking time bomb for city officials awaiting the resolution of Pennsylvania's state budget process.

Auction-rate securities

• After promoting auction-rate securities to local and state government borrowers as a low-risk, low-cost source of financing, JPMorgan Chase and other banks pulled their support for the market in early 2008, causing auctions to fail and leading to interest rates as high as 20% for government borrowers. Then the banks charged local and state governments at least \$1 billion in fees to convert their auction-rate bonds to safer forms of debt, "enriching JPMorgan Chase & Co., Goldman Sachs Group Inc. and the rest of Wall Street that let the market fall apart," according to Bloomberg.

EXPLOITING WORKERS:

Layoffs and branch closures

- JPMorgan Chase has laid off 14, 000 workers since the bailout.
- JPMorgan Chase is also closing down Washington Mutual branches that it acquired in cities where they overlap with existing Chase branches like New York, Chicago, Houston, and Dallas.

PREYING ON CONSUMERS:

Unreasonable bank fees

• Seventy-one percent of JPMorgan Chase's first half 2009 profits are attributable to fees. How did the bank make so much from fees? When customers made charges or withdrawals that overdrew an account JPMorgan Chase charged them up to \$35 per transaction and up to another \$25 if the balance remained unpaid after five consecutive business days – without even asking if they wanted to enroll in an "overdraft protection" program. As a result, if a customer incurred a \$100 overdraft that remained unpaid for seven days, the APR on what amounts to a consumer loan could reach a staggering 3,120%. Also, despite Federal Reserve guidance, JPMorgan Chase did not limit the number of overdraft fees charged per day. Only now that federal legislation to curb overdraft fees is imminent did JPMorgan Chase announce that it will reduce overdraft fees and ask customers if they want to enroll in an overdraft program, effective in the first quarter of next year.

Credit Card Abuses

- JPMorgan Chase arbitrarily raised interest rates on some credit cards, and canceled others without first notifying the cardholders. Millions of Americans have been hurt by the credit crunch as banks like JPMorgan Chase tighten credit despite taking billions in bailout funds to jumpstart the economy.
- In 2005, WaMu acquired Providian Financial Corporation, which continued to operate as the company's credit card division until the bank collapsed and was

acquired by JPMorgan Chase. Providian targeted subprime credit card customers and has paid more in settlements for unfair and deceptive practices and fraud than any other credit card company in history.

Reverse redlining

- A recent report by the Center for American Progress (CAP) examining bank lending practices in 2006 (the height of the housing boom) reveals that JPMorgan Chase and its recently acquired subsidiaries were much more likely to steer Black and Latino applicants than White applicants into higher priced subprime mortgages: 47.5% of Black borrowers and 36.6% of Latino borrowers compared to 16.4% of White borrowers.
- The CAP report also shows that the racial disparity was even greater for borrowers earning \$100,000 or more: while the percentage of high income borrowers receiving high priced mortgages declined to 11.0% among Whites, the percentage remained relatively constant at 44.1% among Blacks and increased to 37.6% among Latinos. The extent of the disparity and its accentuation among higher income earners raise questions about discrimination in the bank's lending practices. This practice is known as reverse redlining and is prohibited under the federal Fair Housing Act.
- A 2007 study analyzing WaMu's lending patterns in six major metropolitan areas showed that 76% of WaMu's home purchase loans to African-Americans in 2005 and 65% to Latinos were originated by its subprime lending unit. Conversely, less than 20% of home purchase loans to whites in 2005 were originated by the subprime unit. The NAACP brought a lawsuit against a group of lenders in 2007, including WaMu and embattled subprime lender Ameriquest Mortgage, for singling out African-Americans for subprime loans.

Mortgage fraud

• According to a lawsuit filed in November 2007 by New York Attorney General Andrew Cuomo, WaMu pressured an appraisal company to defraud homeowners and investors in order to drive up its loan volume. Because of federal preemption issues, WaMu was not named as a defendant in the lawsuit, but the complaint alleges they are implicated in the practice.

Refund Anticipation Loans

• JPMorgan Chase is one of three banks that dominate the refund anticipation loan (RAL) market, a close cousin to the payday lending market. RALs allow taxpayers to get cash advances on their tax refund checks in the same way that payday loans allow workers to get cash advances on paychecks. However, like payday loans, RALs come with steep fees and interest rates that can cost taxpayers as much as 20% of their tax refund check. According to *Vanity Fair*, a recent study found that RALs carry annual rates as high as 700%.

Banking for Madoff

• JPMorgan Chase served as Bernie Madoff's bank from 1992 until his Ponzi scheme was revealed in 2009, making an estimated \$483 million in after-tax profits from Madoff's business in 2008 alone. JPMorgan Chase has been sued by some of

Madoff's victims, whose lawyer asserts that JPMorgan Chase learned Madoff's investments were "phony" and pulled the bank's own \$250 million investment with Madoff in 2008 but neglected to report their suspicions to authorities, leaving other investors vulnerable to his fraud.

STANDING IN THE WAY OF REFORM:

Lobbying against workers and consumer interests

- JPMorgan Chase is a member of the Financial Services Roundtable, which lobbied against the Employee Free Choice Act in every quarter of 2008 and has made joining with the U.S. Chamber of Commerce to defeat it a top priority for 2009. The measure would make it easier for workers to bargain with employers for better wages, benefits, and working conditions by ensuring that they can exercise a free choice to join together in a union without management interference or intimidation.
- According to data obtained from Opensecrets.org, JPMorgan Chase spent \$5.4 million on lobbying in 2008, and continued to lobby in the fourth quarter, even after receiving bailout funds. In the three quarters since the bailout, JPMorgan Chase has spent almost \$4.2 million lobbying on issues including the Consumer Overdraft Protection Fair Practices Act, the Mortgage Reform and Anti-Predatory Lending Act, the Credit Cardholders' Bill of Rights Act of 2009, the Helping Families Save Their Homes in Bankruptcy Act, the Derivatives Trading Integrity Act, the Compensation Fairness Act, and financial services regulation in general.
- To carry out its agenda, JPMorgan Chase has hired any number of unsavory lobbyists, including Richard Hohlt. When he's not helping JPMorgan Chase shape banking and bankruptcy regulation, Hohlt leads the Off the Record Group, "a secretive social group of GOP heavy hitters and, occasionally, White House officials, who convene to smoke cigars and mull over politics." Hohlt claims that his greatest accomplishment as a lobbyist has been staying out of the press, but he could not avoid scrutiny after he was implicated in the Valerie Plame/Scooter Libby controversies for passing an advance copy of Robert Novak's column to Karl Rove.