

JPM Shareholder Resolution

Loan Servicing

J.P. Morgan Chase (JPM) serviced \$1.21 trillion of single family housing loans on 30 June 2011, of which about 20% were owned by the corporation while the remaining 80% were loans serviced for others but primarily originated by JPM or one of its recent acquisitions.

Many borrowers, especially low income and minority borrowers, are becoming delinquent because of the present economic crisis, causing losses to JPM as well as to the investors, who own the securitized loans serviced by JPM. To reduce defaults and subsequent losses, modifications can be made to loans when the modification provides greater value to the owner of the loan than foreclosure.

Assurance is needed that the modifications made to loans serviced for others are as adequately applied as modifications made to loans owned by the JPM. Of particular concern is about \$138 billion of loans owned and \$215 billion serviced for others, which have serious delinquencies of 20% to 40%. These consist of subprime loans as well as option ARMs, which are adjustable rate mortgages permitting initial low loan payments that increase principal and later payments, and non-agency prime/Alt-A loans, which include loans with unverified incomes, interest only loans, etc.

JPM has been modifying many subprime and option ARMs it owns to a fixed payment when the borrower is current but "may be at higher risk of default". Such modifications cannot be made on securitized loans because they usually require foreseeable default, with current income information, etc. required for the modification. Thus, is JPM mainly modifying loans it owns that are current and more easily modified without new documentation, rather than modifying the high percentages of seriously delinquent loans in foreseeable default, both owned and serviced for others?

For example, the 10-Q shows \$12.6 billion of owned option ARMs have been restructured leaving \$28.4 billion of option ARMs of which 30% are seriously delinquent. JPM's congressional testimony shows at least \$8 billion of these restructurings were modifications of current, not delinquent loans.

The Department of Justice in January 2010 created the Fair Lending Unit to enforce fair lending laws for loan originations and servicing. JPM's federal regulator now examines loan servicing for potential disparate treatment, especially of low income and minority borrowers.

We believe that JPM should carefully examine its servicing, comparing its performance on loans serviced for others to loans owned by JPM, to ensure equal and adequate treatment for loans, especially those to low income and minority borrowers, in order to protect shareholder value by avoiding possible reputational, litigation and financial risk.

RESOLVED: the shareholders request the Board of Directors to oversee development and enforcement of policies to ensure that loans that are in default or foreseeable default are adequately modified by similar methods for the same loan types for those owned by JPM and those serviced for others, whether serviced directly or by subservicers, subject to valid constraints of pooling and servicing agreements, and report policies and results to shareholders by October 30, 2012.