



## **PUBLIC DISCLOSURE**

January 6, 2020

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

Gateway Bank, F.S.B.  
Charter Number 708857

306 8th Street  
Oakland, CA 94607

Office of the Comptroller of the Currency

One Front Street  
Suite 1000  
San Francisco, CA 94111

**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, and should not 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.

**Table of Contents**

**OVERALL CRA RATING ..... 1**  
**SCOPE OF THE EVALUATION ..... 2**  
**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW ..... 2**  
**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS..... 3**  
**LENDING TEST..... 4**  
**APPENDIX A: SCOPE OF EXAMINATION ..... 6**  
**APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS ..... 7**  
**APPENDIX C: DEFINITIONS AND COMMON ABBREVIATIONS ..... 9**

## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

**The lending test is rated: Satisfactory.**

Gateway Bank, F.S.B. (Bank) has an adequate record of meeting the credit needs of its assessment area (AA), including low- and moderate-income individuals and areas, consistent with its resources and capabilities. The major factors that support this rating include:

- Considering the Bank's size, financial condition, and credit needs of the AA, the Bank's loan-to-deposit ratio (LTD) is reasonable.
- A majority of the Bank's loans are inside its AA.
- The Bank exhibits reasonable geographic distribution of home mortgage loans in the AA.
- The Bank exhibits a reasonable distribution of loans to borrowers of different income.
- There were no public complaints about the Bank's CRA performance.

## Description of Institution

The Bank is a federally chartered stock savings bank, headquartered in Oakland, California, with a single branch office also located in Oakland. As of September 30, 2019, the Bank reported total assets of \$118.5 million, total liabilities of \$102.7 million, and total capital of \$16.6 million. Total loans equaled \$79.1 million, or 67 percent of total assets. The loan portfolio (by dollar volume) is comprised of 93.2 percent real estate loans, 5.1 percent commercial loans, and 1.6 percent other loans.

The table below shows the composition of the loan portfolio.

**Table 1**

Gateway Bank, F.S.B. Loan Portfolio Composition as of 9/30/2019		
Asset Type	Amount (\$000)	% of Loan Portfolio
<b>Permanent Mortgage Loans</b>		
- Single Family	53,690	67.9
- Multifamily	10,806	13.7
- Nonresidential RE and Land	9,226	11.7
<b>Commercial Loans</b>	4,069	5.1
<b>Loans to non-depository financial inst.</b>	1,300	1.6

*Source: Call Report as of 09/30/2019*

The Bank historically only originated or purchased single-family (one-to-four unit) residential mortgage loans. During the review period, the Bank was subject to regulatory restrictions that have impacted its loan volume. On October 26, 2011, the OCC issued a Cease and Desist Order to the Bank. The Cease and Desist Order is a public document with certain mandates including specific capital requirements. These limitations and overall business conditions contributed to a decline in the Bank's lending volume through the review period. Currently, the Bank does not accept mortgage loan applications. However, they were able to purchase a pool of mortgage loans during the review period.

The Bank's CRA performance was previously evaluated on August 24, 2015 and found to be satisfactory.

*Please refer to the Bank's CRA public file for more information about the institution.*

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The Office of the Comptroller of the Currency (OCC) evaluated the Bank's performance under the Small Bank CRA examination procedures due to its asset size. We determined through review of new loan origination reports that the primary lending product is 1-4 family residential mortgage loans. We assessed the Bank's performance on residential mortgage loans purchased from January 1, 2017 to December 31, 2019. In the AA, the Bank purchased 33 residential mortgage loans from 2017 through 2019. Our analysis of lending covered residential mortgage lending only.

Our loan sample population, to determine lending inside the AA, included all 53 loans purchased during the evaluation period. Our analysis for the borrower and geographic distributions was based on a sample of 20 loans purchased inside the Bank's AA.

### **Selection of Areas for Full-Scope Review**

The Bank designated the entire Oakland-Hayward-Berkeley Metropolitan Division (Oakland MD) as its AA. The AA covers all census tracts (CTs) in the two counties, Alameda County and Contra Costa County, of the Metropolitan Statistical Area (MSA). The Bank's AA meets the regulation's requirements and does not arbitrarily exclude low- or moderate-income geographies.

*Please refer to Appendix B for further details on the AA.*

### **Ratings**

The Bank's overall rating is based on a full-scope review of performance in its single AA of the Oakland MD.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 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 AA 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 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.

## Conclusions With Respect To Performance Tests

**The lending test is rated: Satisfactory.**

### LTD Ratio

Considering the Bank’s size, financial condition, and credit needs of the AA, the Bank’s LTD ratio is reasonable.

The Bank’s LTD ratio is reasonable given its size, financial condition, and the credit needs of the community. Over the last 19 quarters (March 2015 to September 2019), the Bank’s average LTD ratio is 70.9 percent. We compared the Bank to one other financial institution located in a similar market with the same number of branches. The assets of this peer bank was \$250 million at September 30, 2019. The average quarterly LTD ratio for the peer bank is 66.6 percent.

### Lending in AA

A majority of the Bank’s loans are inside its AA.

As shown in the following table, the Bank purchased a pool of home mortgage loans with 62.3 percent of its total loans by number and 57.2 percent by dollar inside the Bank’s AAs during the evaluation period. This analysis is performed at the Bank, rather than the AA, level.

**Table 2**

<b>Lending Inside and Outside of the AA</b>										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	33	62.26	20	37.74	53	16,038	57.23	11,986	42.77	28,024
Total	33	62.26	20	37.74	53	16,038	57.23	11,986	42.77	28,024

Source: All home mortgage loans purchased between 1/1/17-12/31/19

**Distribution of Loans by Income Level of the Geography**

The Bank exhibits reasonable geographic distribution of home mortgage loans in the AA.

**Table 3**

Geographic Distribution of Home Mortgage Loans Oakland MD										
CT Income Level	Low		Moderate		Middle		Upper		NA	
	% of AA Tracts	% of No. of Loans	% of AA Tracts	% of No. of Loans	% of AA Tracts	% of No. of Loans	% of AA Tracts	% of No. of Loans	% of AA Tracts	% of No. of Loans
Home Mortgage Loans	13.18	10.00	23.55	20.00	29.17	35.00	33.39	30.00	0.70	0.00

The Bank’s lending within low-income CTs is reasonable. The Bank’s percentage of home mortgage lending is slightly below the percentage of low-income CTs. The Bank’s home mortgage lending in low-income CTs was 10 percent as compared to 13.3 percent of low-income CTs.

The Bank’s lending within moderate-income CTs is reasonable. The Bank’s percentage of home mortgage lending is slightly below the percentage of moderate-income CTs. The Bank’s home mortgage lending in moderate-income CTs was 20 percent as compared to 23.5 percent of moderate-income CTs.

**Distribution of Loans by Income Level of the Borrower**

The Bank exhibits a reasonable distribution of loans to individuals of different income levels given the restrictions the Bank is under and due to the demographics of the AA.

**Table 4**

<b>Borrower Distribution of Home Mortgage Loans Oakland MD</b>										
Borrower Income Level	Low		Moderate		Middle		Upper		NA	
	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans	% of AA Families	% of No. of Loans
Home Mortgage Loans	11.00	0.00	21.26	15.00	31.02	30.00	36.68	55.00	0.05	0.00

*Source: 2015 ACS US Census and a sample of 20 home mortgage loans purchased between January 1, 2017 and December 31, 2019.*

The Bank's lending to low-income borrowers is poor. Although the Bank did not have any home mortgage loans to low-income borrowers, due to the high cost of housing in the AA, it would be very difficult for low-income borrowers to qualify for a home mortgage loan. Also, the percentage of families in the AA below the poverty level is high at 8.2 percent.

The Bank's lending to moderate-income borrowers is reasonable. The Bank's percentage of home mortgage loans to moderate-income borrowers is below the percentage of moderate-income families in the MD. The Bank's home mortgage lending to moderate-income borrowers was 15 percent as compared to 21.7 percent of moderate-income families in the AA.

### **Qualified Investments and Community Development Services (Optional)**

Qualified community development (CD) services and donations represent a significant commitment to serving community needs. We reviewed donations and services from July 1, 2017, to December 31, 2019. During this period, the Bank donated \$13,215 and served 690 hours across eight community organizations. These organizations primarily emphasized community safety, education, health, financial awareness, and police dialogue within the Chinatown population in Oakland, particularly for low- and moderate-income residents and small businesses.

### **Responses to Complaints**

The Bank did not receive any CRA-related complaints during the evaluation period.

## Appendix A: Scope of Examination

---

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope.”

<b>Time Period Reviewed:</b>	01/01/2017 to 12/31/2019	
<b>Bank Products Reviewed:</b>	Home mortgage Qualified investments, community development services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
Oakland-Hayward-Berkeley MD	Full Scope	Counties: Alameda and Contra Costa



## Appendix B: Community Profiles for Full-Scope Areas

---

### Oakland-Hayward-Berkeley MD (Oakland MD)

#### *Oakland MD Income Levels*

The Oakland MD covers all 569 CTs in Alameda and Contra Costa Counties. The Bank operates one office in this MD. Based on the 2015 ACS U.S. Census, there are 75 low-, 134 moderate-, 166 middle-, and 190 upper-income CTs in the MD. The remaining CTs have not been assigned an income classification. Low- and moderate-income families make up 40.4 percent of the families residing in the MD with 35.4 percent of all families living in low- or moderate-income CTs. For purposes of all CRA evaluations, families are categorized as low-, moderate-, middle, or upper-income based on their respective income levels as a percentage of the current Median Family Income (MFI). The parameters for CT classifications are categorized in a similar fashion. Each year, the Federal Financial Institutions Examination Council (FFIEC) determines the annual MFIs for each MSA in the United States. As provided by the FFIEC, the estimated MFI for this MD is \$104,400 in 2018.

#### *Demographic Data and Economic Performance*

Economic conditions were mixed during the review period. The average annual unemployment rate decreased from 4.4 percent in 2016 to 3.7 percent in 2017 and to 3.1 percent in 2018, according to the Bureau of Labor Statistics (BLS). However, housing affordability continues to decline based on the National Association of Home Builders (NAHB) Housing Opportunity Index (HOI) for the fourth quarter of 2018 statewide and in the MD. The HOI for a given area is defined as the share of homes sold in that area that would have been affordable to a family earning the local median income based on standard mortgage underwriting criteria. The HOI for the MD was 16.4 based on the NAHB HOI for 2018 and the median home sales price of \$736,000 during the fourth quarter of 2018.

#### *Competition*

According to the June 30, 2019 Federal Deposit Insurance Corporation (FDIC) Summary of Deposits (SOD) Report, 52 FDIC-insured financial institutions operate in Alameda County and Contra Costa County. These financial institutions have 495 offices across both counties and hold \$104 billion in FDIC-insured deposits. The top five banks (by market share) controlled 74.9 percent of the deposits. The Bank operates a single branch in the MD and ranks 39th in market share with 0.08 percent of the deposits. In addition to competing with a variety of financial institutions, the Bank faces competition for deposit and loan products from other nonbank entities in the county that were not included in the SOD Report, including credit unions, mortgage loan brokers, insurance companies, and money management firms.

A recent community contact indicated a need for affordable housing and small business financing.

The following table provides select demographic data for the Oakland MD:

**Oakland-Hayward-Berkeley, CA MD**

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Oakland-Hayward-Berkeley MD 2015 ACS US Census</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	569	13.2	23.6	29.2	33.4	.7
Population by Geography	2,681,051	12.6	22.8	31.2	33.3	.1
Housing Units by Geography	994,859	12.1	23.4	30.9	33.5	.1
Owner-Occupied Units by Geography	543,312	5.5	18.3	32.1	44.1	0.0
Occupied Rental Units by Geography	400,241	20.4	29.8	29.4	20.3	.2
Vacant Units by Geography	51,306	18.5	27.6	29.7	24.1	.1
Businesses by Geography	184,056	9.1	20.3	30.3	40.2	.1
Farms by Geography	2,894	6.2	18.7	32.3	42.8	0.0
Family Distribution by Income Level	642,054	24.3	16.1	18.2	41.4	0.0
Household Distribution by Income Level	943,553	25.7	15.1	16.4	42.9	0.0
Median Family Income Non-MSAs - GA	\$93,822	Median Housing Value			\$504,631	
		Median Gross Rent			\$1,419	
		Families Below Poverty Level			8.2%	
<i>Source: 2015 ACS U.S. Census and 2018 D&amp;B Data Due to rounding, totals may not equal 100.0</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

As indicated in the table above, 8.2 percent of the families in the MD have incomes below the poverty level. The data also reflects that the percentage of owner-occupied housing units within low- and moderate-income CTs is 5.5 percent and 18.3 percent, respectively. Other US Census data reflects that of the total housing, 18.2 percent of owners and 20.4 percent of renters in the MD have monthly owner and rental costs, respectively, greater than 30 percent of their income. This is a moderate change from 24.7 and 18.2 percent at the 2014 CRA exam. Based on the 2018 D&B business demographics, there are 184,056 non-farm businesses in the MD, down from 189,387 at the last CRA exam. Of these, 85.4 percent had gross annual revenues of \$1 million or less, 5.8 percent reported gross annual revenues greater than \$1 million, and 8.9 percent did not report revenues.

## Appendix C: Definitions and Common Abbreviations

---

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. 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 the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.