

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Gateway Bank, a F.S.B.,)
San Francisco, California)

OTS Order No. SF-93-023

Dated: July 30, 1993

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST
(Compliance)

The Office of Thrift Supervision ("OTS"), by and through its Deputy Director for Regional Operations, OTS, and Gateway Bank, a F.S.B., ("Gateway"), San Francisco, California, stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Gateway pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") (12 U.S.C. § 1818(b)). Gateway desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease-and-desist litigation against Gateway with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) Gateway is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act, as amended by FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended by FIRREA (12 U.S.C. § 1813(c)).

(b) Pursuant to Section 3 of the FDIA, as amended by FIRREA, the Director of OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Gateway is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(b)).

3. Consent. Gateway consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

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ORDER TO CEASE AND DESIST
(Compliance)

WHEREAS, Gateway Bank, F.S.B., San Francisco, California ("Gateway" or "Institution"), through its Board of Directors ("Board"), has executed a Stipulation and Consent to Issuance of Order of Cease and Desist, which is incorporated herein by reference ("Stipulation") and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Deputy Director for Regional Operations; and

WHEREAS, Gateway, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act, as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") (12 U.S.C. Section 1818(b)),

NOW THEREFORE, IT IS ORDERED that Gateway Bank and its directors, officers, employees, and agents shall cease and desist from any violation of, or the aiding and abetting of any violation of Title 12 of the Code of Federal Regulations ("C.F.R.") 545.33 (Home Loans), 563.27 (Advertising), 563.99 (Fixed-Rate and Adjustable Mortgage Loan Disclosure, Adjustable Notices, and Interest Rate Caps), 563.177 (Procedures for Monitoring Bank Secrecy Act Compliance), Title 12 C.F.R., Parts 202 (Regulation B - Equal Credit Opportunity Act), 203 (Regulation C - Home Mortgage Disclosure Act), 205 (Regulation E - Electronic Funds Transfer Act), 226 (Regulation Z - Truth in Lending), 229 (Regulation CC - Expedited Funds Availability Act), 528 (OTS Nondiscrimination Regulations), 563e (Community Reinvestment), Title 24 C.F.R., Part 3500 (Regulation X - Real Estate Settlement Procedures Act), Title 31 C.F.R., Part 103 (Bank Secrecy Act), Title 12 United States Codes ("U.S.C.") 2601 et seq. (Real Estate Settlement Procedures Act), Title 15 U.S.C. 1601 et seq. (Consumer Credit Cost Disclosure), Title 15 U.S.C. 1691 et seq. (Equal Credit Opportunity Act), Title 15 U.S.C. 1693 (Electronic Funds Transfer Act), Title 42 U.S.C. 3601 et seq. (Fair Housing Act); and shall cease and desist from engaging, aiding or abetting in any unsafe or unsound practices.

IT IS FURTHER ORDERED THAT:

1. Within 60 days of the date of this Order, the Board shall:

- a) quantify Gateway's liability under 12 U.S.C. 2601, et. seq., and 24 C.F.R. 3500, obtain, and submit to the OTS for review and comment, a written opinion from outside legal counsel addressing the institution's rights and obligations with regard the 22 loans that were sold to Echelon Mortgage Corporation, which opinion shall address:
 - i) if and when the servicing of these loans was to transfer,
 - ii) if and when Gateway should provide notices to its borrowers regarding this transfer,
 - iii) whether Gateway breached its obligation to accurately respond to borrower inquiries, and
 - iv) Gateway's rights and obligations regarding funds that are collected on these loans;
- b) develop, and submit to the OTS for review and comment, a training plan for training the Board and senior management for their duties and responsibilities under OTS administered laws, regulations and rules, federal civil rights, fair housing and lending, consumer protection, and other compliance laws and regulations administered by the OTS;
- c) develop and implement written policies and procedures for periodically testing Gateway's compliance with:
 - i. maintaining impound accounts in accordance with Title 12 U.S.C. Sections 2601.6(g) and 2609.10(c), and
 - ii. computing the initial interest rate, index, margin, and change date for calculating future rate changes pursuant to Title 12 C.F.R. Section 563.99;
- d) develop a Compliance/CRA Officer position primarily responsible for the Compliance and CRA functions, including a position description, reporting relationships and the appropriate level of responsibility, authority, and resources to carry out the duties of this position, and submit a proposed compliance/CRA officer's name and qualifications to the OTS for approval based on the review of the individual's competence, experience, character, and integrity.

2. Within 60 days of hiring a Compliance/CRA Officer, the Board shall develop, in accordance with guidelines provided by OTS, and submit to the OTS for approval a comprehensive compliance program, and shall implement such program upon OTS's approval.

3. Within 120 days of the dated of this Order, Gateway will review all of its adjustable-rate loans in the manner set forth in OTS District Letter 90-026, dated August 3, 1990. This letter advised each institution of its obligations under 12 C.F.R. 563.99 and 12 C.F.R. 545.33(a)(1). Specifically, Gateway shall:
 - a) review each adjustable-rate loan that it services, from the date of inception, for possible adjustment errors, including, but not limited to, interest rate or payment errors;
 - b) submit to this Office for review and comment those loans containing customer overcharges or undercharges; and
 - c) submit to the OTS for review and comment a plan for making reimbursements.
4. Prior to each regularly scheduled meeting of the Board occurring after completion of each calendar quarter, the Compliance/CRA officer shall prepare and submit, as part of the package provided to the Board, a comprehensive report regarding compliance matters. The Board shall review and act upon the report as necessary, and certify such review and action to the OTS within 10 days after the meeting.
5. For good cause shown, the Assistant Regional Director may extend the time to complete any act this Order requires.
6. If the Assistant Regional Director disapproves any policy, plan, or act submitted for approval under the terms of this Order, the Board shall revise and resubmit the policy, plan, or act, to the Assistant Regional Director within 15 days after it receives written notice of disapproval.
7. No policy, plan, or act approved by the Assistant Regional Director may be amended, suspended, or revoked without the prior written approval of the Assistant Regional Director. However, if Gateway has been in substantial compliance with any requirement imposed by this Order for a reasonable period of time, the Assistant Regional Director may terminate such requirement upon written request.
8. As used in this Order, the term "federal savings association" shall have the same meaning as set forth in Section 2(4) of the Home Owners Loan Act ("HOLA"), as amended by Section 301 of FIRREA, Pub. L. No. 101-73, Section 301 (1989).
9. References in this Order to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the effective date of this Agreement pursuant to Section 401(h) of FIRREA, Pub. L. No. 101-73, Section 401(h) (1989), and references to successor provisions as they become applicable.
10. All technical words or terms used in this Order, for which meanings are not defined or otherwise provided by the provisions of this Order, shall, insofar as applicable, have the meaning set forth in Chapter V of Title 12 of the Code of Federal Regulations and any such technical words or

terms used in this Order and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings industry.

11. This Order shall remain in effect until terminated by the OTS. All requests for termination of the order shall be submitted to the Assistant Regional Director. Upon review of any such request, the Assistant Regional Director shall make a recommendation to the Regional Director for denial or approval of the request. The Regional Director may grant a written request for termination or modification of the Order if, in his opinion, Gateway has satisfactorily complied with the terms of this Order for an appropriate period of time. The Regional Director's grant of such written request shall only be evidenced by the issuance of a written amendment to this Order executed by a duly authorized representative of the OTS.
12. This Order shall be effective as of the date it is issued by the Office of Thrift Supervision.

OFFICE OF THRIFT SUPERVISION

/S/

By: John Downey
Deputy Director, Regional Operations
Office of Thrift Supervision

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