

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
Gateway Bank, a F.S.B.,)
San Francisco, California)
_____)

Re: Resolution No. SF-91-037

Date: August 15, 1991

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its District Director for the West Region, 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.

4. Finality. The Order is issued under Section 8(b) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(b)). Upon its issuance by the District Director for the West Region, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(i)).

5. Waivers. Gateway waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(b)), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(h)), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its District Director for the West Region, OTS, and Gateway, by a majority of its

directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

GATEWAY BANK, a F.S.B.,
by a majority of its directors

By: _____ /S/
Michael Patriarca
District Director
West Region

_____/S/
_____/S/
_____/S/

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In the Matter of)
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San Francisco, California)
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Order No.: SF-91-037

Date: August 15, 1991

ORDER TO CEASE AND DESIST

WHEREAS, Gateway Bank, a 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 Regional Director for the Western Regional Office; 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 CFR Sections 215.2, 561.28, 563.7, 563.27, 563.28, 563.40, 563.43, 563.93, 563.99, 563.160, 563.161, 563.170, 563.176, 563.177, 563.180, 568.4, 571.3, 571.3, 571.7, 571.9, Sections 22(h) and 23(a) of the Federal Reserve Act, Title 12 CFR, Part 202 (Regulation B), Title 12 CFR, Part 203 (Regulation C), Title 12 CFR, Part 205 (Regulation E), Title 15 CFR, Part 3500 (Regulation X), Title 12 CFR, Part 226 (Regulation Z), Title 12 CFR, Part 229 (Regulation CC), Title 12 CFR, Part 528, Title 12 CFR, Part 563e and Title 31, CFR, Part 103 (Bank Secrecy Act), and Title 15 U.S.C. 1681; 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 this Order, Gateway shall hire a Chief Executive Officer/President, and Chief Lending Officer, subject to the prior written approval of OTS.
2. Within 60 days of this Order, Gateway shall develop and implement a safe and sound lending policy and maintain records of loans in accordance with 12 CFR 563.170. The lending policy will be subject to prior review and approval by this Office.

3. Within 30 days of this Order, Gateway shall correct the Internal Asset Review deficiencies cited in the April 1, 1991, Report of Examination, make available revised policies and procedures to this Office for review and approval, and adhere to Board policy.
4. Within 60 days of this Order, Gateway shall formulate and submit to OTS for approval, a business plan that describes in detail, the institution's planned operations for the next three years. Upon approval by OTS, Gateway's Board shall approve the business plan and ensure that Gateway's operations do not deviate from the approved business plan in any material respect, without the prior written approval of the Board and OTS.
5. At all times in the future, Gateway shall not engage in any transactions with affiliated persons, as that term is defined in Title 12 CFR Section 561.5 without the prior written approval of OTS. Further, the institution shall not enter into any transactions with J.T. Lau or any entity which he is affiliated without the prior written approval of the Board and OTS.
6. Within 60 days of this Order, Gateway shall formulate and implement a comprehensive internal control and audit program to correct the deficiencies cited in the April 1, 1991, Report of Examination. The program must include the review of, and adherence to, all Board approved policies and procedures.
7. Within 90 days of the date of this Order, Gateway shall hire and/or appoint a qualified Compliance/CRA Officer primarily responsible for the Compliance and CRA functions. This position may be either a full time position or filled full time while the corrective actions required by this Order are implemented, but in no event for less than six months, and part-time thereafter. The proposed hire's and/or appointee's name and qualifications shall be submitted to this Office for approval based on the review of the individual's competence, experience, character, and integrity. Concurrently, Gateway shall develop and make available to this Office for review and approval, position descriptions and reporting relationships and shall vest this position with the appropriate level of responsibility, authority, and resources to carry out the duties of these positions.
8. Within 60 days of the date of this Order, the members of Gateway's Board of Directors and senior management shall obtain training of 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 this Office. Prior to providing such training to Gateway's Board of Directors and senior management, the Institution shall make available a training plan to this Office for review and comment.
9. Within 60 days of appointing the Compliance/CRA Officer, in order to ensure ongoing, effective compliance with nondiscrimination, fair housing and lending, consumer protection, and other compliance laws and regulations, Gateway shall develop a comprehensive strategy, including an

agenda for full implementation and a mechanism for effective Board of Directors' oversight. The strategy should address not only the matters covered by this Order but also those aspects of Gateway's business covered by OTS's Compliance Activities Handbook. At a minimum, the strategy should include the following actions:

- a. The Institution shall undertake a complete self-assessment, conducted by the Compliance Officer, to develop and submit to OTS a plan ("the Plan") for identifying and correcting existing deficiencies. This Plan is to include: (i) a timetable for the review, (ii) the means of implementing corrective actions, and (iii) the follow-up to ensure the effectiveness of such actions thereafter. Subsequently, a quarterly report on the status of the Plan's completion is to be submitted to this Office by the Board of Directors.
- b. The Institution shall develop a written ongoing compliance program encompassing (i) development and periodic updating of policies and procedures, (ii) training of new and periodic retraining of existing staff, (iii) day-to-day operational controls, (iv) periodic compliance audits, and (v) mechanisms for updating the program and correcting deficiencies that arise. The responsibility and timetable for implementing each aspect of this program, as well as the specific areas it will cover, should be included. The roles, responsibilities, and relationships between relevant management personnel should be defined, and a description of the Board of Directors' involvement and oversight role should be set forth.
- c. The Institution shall establish a procedure to review applications denied after the date revised lending standards are implemented in accordance with the compliance Report of Examination dated April 1, 1991, for conformance with the Institution's revised standards and compliance with pertinent regulations. The results of such review shall be incorporated into the Institution's comprehensive ongoing compliance program set forth above.
- d. The Institution shall develop and implement a program for monitoring loan applications received, granted, and denied in order to identify and address any disparate patterns in the Institution's lending, particularly with respect to low/moderate-income areas of the Institution's community, minorities, and members of other protected classes. This monitoring should at a minimum conform to the recommended analyses set forth in Thrift Bulletin 25, dated April 19, 1989, and any applicable subsequent bulletins and should include a mechanism for providing at least semiannually its results to the Board of Directors and for incorporating them into the Institution's business planning.
- e. Within 45 days of written nonobjection from the OTS to the Plan, the Institution shall implement a program for training its staff to ensure consistent implementation of the Plan and compliance with applicable laws and regulations. A schedule for this training is to be submitted with the Plan to this office for review and comment.

- f. The Institution shall establish a formalized CRA program with specific goals, objectives, and accountabilities that will be actively overseen by its Board of Directors, the Compliance/CRA Officer, and senior management. This program should conform, at a minimum, to the guidelines provided in the "Interagency Policy Statement on the Community Reinvestment Act," dated March 30, 1989, and should include (i) a description of efforts to ascertain community credit needs and affirmatively incorporate the results of those efforts into the Institution's planning for product development and delivery, (ii) incorporation of the results of the Institution's monitoring of its lending patterns, and (iii) periodic evaluation of the Institution's own performance and procedures for documenting its CRA activities and how they relate to its CRA goals.
 - g. 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 of Directors a comprehensive report regarding compliance matters. At each regularly scheduled meeting occurring after completion of each calendar quarter, the Board will review the report prepared by the Compliance/CRA officer and provide certification of such review to this Office along with a description of any proposed corrective action.
10. Within 60 days of the date of this Order, Gateway shall establish written policies and procedures for periodically testing its compliance with:
- a. maintaining impound accounts in accordance with Title 12 U.S.C. Sections 2601.6(g) and 2609.10(c), and
 - b. computing the initial interest rate, index, margin, and change date for calculating future rate changes pursuant to Title 12 CFR Section 563.99.
11. The Board shall submit to the OTS by the tenth day following each regularly scheduled monthly board meeting a report detailing the progress, status and/or adherence to each of Paragraphs 1 through 10 of this Order. Included in such monthly report shall be sufficient detail of the evidence the Board reviewed to establish the progress, status and/or adherence to each of Paragraphs 1 through 10.
12. For good cause shown, the Assistant Regional Director may extend the time to complete any act required by this Order for good cause shown, specifically:
- a. If the Assistant Regional Director disapproves any policy, plan, or act submitted for approval under the terms of this Order, Gateway will submit a revision of the policy, plan, or act, to the Assistant Regional Director within 15 days after it receives written notice of disapproval;

