

PUBLIC DISCLOSURE

September 9, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Gateway Bank, a F.S.B.
919 Clement Street
San Francisco, CA 94118
Docket #: 08857**

**Office of Thrift Supervision
Western Region
225 East John Carpenter Freeway, Suite 500
Irving, TX 75062-2326**

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, nor should it 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.



Office of Thrift Supervision
Department of the Treasury

Western Region

Dallas Regional Office • Phone Number: (972) 277-9500 • Fax: (972) 277-9501
225 East John Carpenter Freeway, Suite 500 Irving, TX 75062-2326
P.O. Box 619027, Dallas-Fort Worth, TX 75261-9027

December 16, 2009

Board of Directors
Gateway Bank, a F.S.B.
919 Clement Street
San Francisco, CA 94118

Members of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of September 8, 2009. In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Laura M. Fiene
Assistant Director, Compliance

Enclosure

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Gateway Bank, a F.S.B. The Office of Thrift Supervision (OTS) prepared the evaluation as of September 8, 2009. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

Institution

Overall Rating

INSTITUTION'S CRA RATING: Needs to Improve
The Lending Test is rated: Satisfactory
The Community Development Test is rated: Needs to Improve

This evaluation of Gateway Bank, a Federal Savings Bank's (Gateway or institution) CRA performance is based on the Federal Financial Institutions Examination Council's (FFIEC) Intermediate Small Institution CRA examination procedures adopted by the OTS as of July 1, 2007. These procedures include a streamlined Lending Test and a Community Development Test for evaluating CRA performance. Gateway's "Needs to Improve" rating is based on the following criteria:

- Gateway's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area needs.
- Lending within the combined assessment areas is reasonable and meets the standard for adequate responsiveness of assessment area credit needs when consideration is given to Gateway's nationwide lending strategy and lending to total deposits in the assessment areas.
- A reasonable dispersion of Gateway's loans were granted in various geographies, including low- and moderate-income (LMI) census tracts, within each assessment area.
- Gateway's lending to borrowers of different income levels, including LMI individuals, was less by number and dollar amount than other lenders in all the assessment areas area during the review period. The percentage distribution is somewhat skewed due to a large number of purchased HMDA-reportable loans that did not have income reported, by option, for HMDA-purposes. Considering the data available and the availability of affordable housing, the lending to borrowers of different income levels was adequate for the assessment areas.
- The institution did not receive any CRA-related complaints.
- Performance under the Community Development Test is in need of improvement. Management provided financial expertise and guidance to a limited number of local organizations/programs within the institution's assessment areas. Financial investments and donations meeting the definition of community development during the review were minimal. The institution did not make any community development loans during the review period.

Institution (continued)

As a result of the Needs to Improve rating for the Community Development Test and as set forth in Appendix A to Part 563e – Ratings, “no intermediate small savings association may receive an overall rating of ‘Satisfactory’ unless it receives a rating of at least ‘Satisfactory’ on both the Lending Test and Community Development Test.”

Scope of Examination

Gateway was last evaluated for performance under the Community Reinvestment Act (CRA) on April 26, 2006 under the small savings association performance standards contained in 12 CFR §563e.26. The institution’s rating from the 2006 evaluation was based upon on the Lending Test requirements for small savings associations. On March 22, 2007, OTS implemented the definition of “Intermediate Small Savings Association” and adopted the Community Development Test, under section 563e.26(a)(2), used by the other federal banking agencies in evaluating the performance of intermediate small financial institutions. These procedures became effective on July 1, 2007.

The institution meets the definition of an intermediate small savings association, and, as a result, is being evaluated under the Lending and Community Development Tests. Generally, these two components are weighted equally in determining an institution’s overall rating. We note, however, that Gateway was not subject to the Community Development Test during a portion of the review period and this will be taken into consideration in the performance context.

The current evaluation covers lending and community development activity from January 1, 2006 through December 31, 2008. The institution’s lending results were compared to the 2000 Census data, updated for 2008, and to the aggregate Home Mortgage Disclosure Act (HMDA) data during 2006 and 2007 for all mortgage lenders in the assessment areas. Aggregate HMDA data for 2007 was the most recent available as of the date of this examination.

Description of Institution

Gateway, which received a CRA rating of “Satisfactory” during its most recent CRA Performance Evaluation, is a federally-chartered stock thrift and a subsidiary of SK&L Wang, LLC. The institution operates with its home office in San Francisco, California and one branch in Oakland, California. A corporate office is located in San Leandro, California, but does not offer retail deposit services. Deposits in the retail deposit offices totaled \$312.3 million at June 30, 2008, according to Federal Deposit Insurance Corporation records. The Oakland branch office is located within a low-income geography. During the review period, Gateway maintained several loan production facilities located throughout California, Arizona, Nevada, Washington, New Jersey, and Ohio. Gateway has not opened or closed any branch facilities since the previous examination, but has opened and/or closed several loan production facilities.

Institution (continued)

The asset portfolio at December 31, 2008, consisted mainly of residential mortgage loans (80.4 percent of total assets and 99.8 percent of total loans), with the majority being one-to-four single family mortgage loans. Table 1 illustrates the institution’s portfolio investment in loans.

Table 1 - Gateway’s Investment in Loans (12/31/2008 Thrift Financial Report)			
Loan Category	Amount (\$000’s)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	385,402	99.8	80.4
Nonresidential Mortgage	957	0.2	0.2
Commercial Nonmortgage	0	0.0	0.0
Consumer	0	0.0	0.0
Total	386,359	100.0	80.6

As part of Gateway’s business plan, a vast majority of loans are generated through its proprietary QuickSale (QS) program. Under this program, Gateway purchases single-family mortgage loans from third-party mortgage bankers. These loans are then sold with the servicing rights released by the mortgage bankers to the third-party final investors. Gateway’s role is to purchase whole loans, or 100 percent participations in such loans, from the mortgage banker, hold the loans for approximately 5 to 30 days (average of 17 days), and then deliver the loans to the final investor. Gateway receives a specified rate from the mortgage banker on the outstanding loan balance for the period of time between Gateway’s purchase of the loan from the mortgage banker and the subsequent delivery of the loan to the final investor. Table 2 illustrates data on originations, purchases, and loans sold for 2006, 2007, and 2008.

Table 2 - Gateway’s Loan Activity According to the Thrift Financial Report			
Loan Category	2006	2007	2008
	Amount (\$000’s)	Amount (\$000’s)	Amount (\$000’s)
1-4 Mortgage Originated	713,100	117,956	254,117
1-4 Mortgage Purchased	4,079,666	4,396,398	4,079,666
1-4 Mortgage Sold	4,720,617	4,504,047	4,720,617

Institution (continued)

Conclusions With Respect To Performance Tests

Lending Test

Under the Lending Test, the areas reviewed consisted of the institution's loan-to-deposit ratio, lending activity within its assessment area, the geographic distribution of loans, and the distribution of loans to borrowers of various income levels.

Loan-to-Deposit Ratio

Gateway's loan-to-deposit ratio (loan originated and held at quarter-end) averaged 137.4 percent during the twelve-quarter review period ending December 31, 2008. There has been a declining trend in the ratio over the review period with a quarter-end ratio at December 31, 2008 of 104.5. Although declining, at the time of this report the ratio is reasonable, given the institution's size, financial condition, and assessment area credit needs.

Lending in the Assessment Areas

The institution has defined the following California geographies as its assessment areas:

San Francisco-San Mateo-Redwood City MSA #41884 (San Francisco AA)

Oakland-Fremont-Hayward MSA #36084 (Oakland AA)

San Jose-Sunnyvale-Santa Clara MSA #41940 (Santa Clara AA)

Our review of the institution's assessment areas revealed that the areas comply with the technical requirements of the CRA regulations, do not reflect illegal discrimination, and do not arbitrarily exclude LMI areas.

As mentioned, Gateway primarily offers residential mortgage loans through its QS program, purchasing and selling to mortgage bankers nationwide. During the review period, Gateway originated or purchased 35,981 HMDA-reportable residential mortgage loans totaling \$9.8 billion with 4,163 loans (11.6 percent) totaling \$1.7 billion (17.0 percent) in the assessment areas.

Table 3 illustrates the total number, dollar amount, and percent of HMDA-reportable residential mortgage loans originated and purchased in and outside the assessment area during the review period. For comparison purposes, the table reflects lending activity by each appropriate year during the review period.

Institution (continued)

Table 3- Concentration of Residential Loans *					
1/1/2006 – 12/31/2008					
(Dollars in thousands)					
Period By Year	In Assessment Areas		Outside Assessment Areas		Total HMDA Loans
	#	%	#	%	#
2006	2,104	16.3	10,814	83.7	12,918
2007	849	15.3	4,703	84.7	5,552
2008	1,210	6.9	16,301	93.1	17,511
Total	4,163	11.6	31,818	88.4	35,981
	\$ Amt	%	\$ Amt	%	\$ Amt
2006	811,422	21.8	2,902,282	78.2	3,713,704
2007	360,993	20.9	1,369,607	79.1	1,730,600
2008	489,841	11.2	3,871,598	88.8	4,361,439
Total	1,662,256	17.0	8,143,487	83.0	9,805,743

* Percents are based on total loans originated during applicable year

This distribution is reasonable and meets the standard for adequate responsiveness of the assessment area credit needs when consideration is given to Gateway’s nationwide lending strategy and lending to total deposits in the assessment area.

Geographic Distribution of Loans

Gateway’s percentage distribution of HMDA-reportable loans by number and dollar amount within LMI geographies for the review period was reasonable when compared to other lenders in the combined assessment areas. The geographic distribution of HMDA-reportable loans demonstrated good penetration throughout the assessment areas. Further information is found in the individual assessment area sections of this report.

Lending to Borrowers of Different Incomes

Gateway’s lending to borrowers of different income levels, including LMI individuals, was less by number and dollar amount than other lenders in all the assessment areas during the review period. The percentage distribution is somewhat skewed due to a large number of purchased HMDA-reportable loans that did not have income reported, by option, for HMDA-purposes. Considering the data available, the lending to borrowers of different income levels was adequate for the assessment areas. Further information is found in the individual assessment area sections of this report.

Institution (continued)

Community Development Test

A community development (CRA-qualified) investment is an investment or grant that has community development as its primary purpose. The CRA regulation defines community development as: (1) the provision of affordable housing for low- and moderate-income individuals; (2) community services targeted to low- and moderate-income individuals; (3) activities that promote economic development by financing small businesses or small farms; or (4) activities that revitalize and stabilize low- and moderate-income geographies.

During the review period, Gateway's performance under this Test does not meet the standard for satisfactory performance based on the institution's limited community development investments and services and no community development lending within its assessment areas. Information supporting this follows.

Community Development Services

- Gateway maintains two offices. The Oakland branch is located in a low-income geography, and the San Francisco branch is located in a middle-income geography.
- Various delivery channels are utilized to provide services to customers. Gateway offers lobby hours at both retail branches with extended hours on Fridays. The Oakland branch is also available to customers for partial hours on Saturdays. Automated Teller Machines (ATMs) are available at both branch locations. Gateway offers 24-hour banking by phone, where customers are able to retrieve deposit and loan balances, report lost/stolen debit cards, place stop payments on checks, and transfer funds. Online banking is available to all customers who sign up for services. Online services enhance phone services by allowing the customer to also print statements, email customer service, access account histories, view check images, and utilize bill payment services. Gateway maintains a website that provides information about products and services offered.

In addition to the banking services above, Gateway has provided the following qualified community development services in the assessment areas:

Institution (continued)

- In 2008, the Oakland branch donated office space to the local police department in its facility. The presence of the Oakland Police Department has helped to deter crime in the area and provide safety for local businesses and customers. Gateway also assisted the Oakland Police Department in fund raising for the local Asian Youth Service committee to facilitate a crime prevention program. These services have helped to revitalize/stabilize the area surrounding the Oakland branch.
- The Oakland Regional Branch Manager has participated in an annual street fair during the review period to promote awareness and education of banking products and services. Her financial expertise as an agent of the institution, provided a community service targeted to LMI individuals in a low-income area.
- Gateway participates in a Bank At School program, a school savings program for elementary students at Lincoln Elementary School. The school is located in a low-income geography that generally caters to LMI students. The program assists the children with financial literacy, allows for no minimum deposit balance, and does not have any typical service charges.

Community Development Investments

During the review period, Gateway made the following \$1,800 in qualified investments for community development purposes:

- *Oakland Police Department-* Provided \$1,000 in financial support toward providing public safety in the low-income geography prone to high crime where the Oakland Branch is located. This investment helped to promote the revitalization/stabilization of the area.
- *Lincoln School Donation-* Provided \$100 annually (\$300 total during the review period) to the school to purchase school supplies for LMI children at the school, which is located in a low-income geography. This investment helped to promote community service targeted to LMI individuals and in a low-income geography.
- *Community Health Fair Donation-* Provided \$500 in June 2008 to assist persons without health insurance receive preventative medical services in a low-income geography near the Oakland Branch. This investment helped to promote community service targeted to LMI individuals and in a low-income geography.

Institution (continued)

Community Development Loans

During the review period, Gateway did not make any qualified community development loans.

Response to Complaints

During the review period, the institution received no written complaints pertaining to its performance in helping to meet the credit needs within the assessment areas.

Fair Lending or Other Illegal Credit Practices Review

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the most recent examination where we evaluated compliance with consumer laws and regulations.

San Francisco-San Mateo-Redwood City, CA MSA

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Assessment Areas – San Francisco-San Mateo-Redwood City MSA #41884

Gateway has defined the entire San Francisco-San Mateo-Redwood City, California MSA (San Francisco AA) consisting of Counties of San Francisco, San Mateo, and Marin as one of its assessment areas.

Table 4 illustrates demographic data on population, families, and housing units within the assessment area as follows:

Demographic Data	2000 Census
Population	1,731,183
Total Families	381,072
1-4 Family Units	471,148
Multi-family Units	240,945
% Owner-Occupied Units	47.1
% Rental-Occupied Units	49.0
% Vacant Housing Units	3.9
Weighted Average Median Housing	\$501,526

Table 5 indicates that there are 382 census tracts in the assessment area, with 28 low-income and 82 moderate-income areas. Two of the census tracts have no income designation. The home office is located within this assessment area in a middle-income geographic tract. The table compares each geography income level to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geography Income Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
Low	28	7.3	21,965	5.8	10,365	2.2
Moderate	82	21.5	70,195	18.4	74,913	15.9
Middle	149	39.0	164,948	43.3	218,142	46.3
Upper	121	31.7	123,964	32.5	167,729	35.6
Income NA	2	0.5	0	0.0	0	0.0
Total	382	100.0	381,072	100.0	471,148	100.0

According to 2000 U.S. Census, 38.9 percent of the families in the assessment area are classified as low- to moderate-income, with 7.6 percent of the families reporting income below the poverty level. The Department of Housing and Urban Development (HUD) annually adjusts the 2000 Census data

to update the income levels. The adjusted figures are used in the “Lending to Borrowers of Different Incomes” section of this Performance Evaluation. Table 6(a) indicates the median family income ranges of each income category based on the 2008 HUD adjustment. Table 6(b) reflects the updated HUD median family income for each year during the review period. Table 6(c) shows the distribution of families in each income range of the assessment area.

Income Category (As % of Median)	Income Ranges	
	From \$	To \$
Low (< 50%)	1	47,149
Moderate (50% - 79%)	47,150	75,439
Middle (80% - 119%)	75,440	113,159
Upper (>= 120%)	113,160	+

Year	Amount \$
2006	91,200
2007	86,500
2008	94,300

* Based on HUD 2008 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2004 Revision	
	Number	Percent
Low (< 50%)	81,285	21.3
Moderate (50% - 79%)	67,015	17.6
Middle (80% - 119%)	76,122	20.0
Upper (>= 120%)	156,650	41.1
Total	381,072	100.0

The San Francisco AA has a diversified economic base. Prominent industries in the area include tourism, global trade, technology, finance, fashion apparel manufacturing, health care, education, and food services. The area also employs almost one third of the total worldwide biotechnology workforce. The area supports several shipping ports and airports and handles nearly 30 percent of West Coast trade. Several large corporations are headquartered in the San Francisco Bay area, including Levi Strauss & Co., Gap, Inc., New United Motor, Bank of the West, Bank of the Orient, Wells Fargo & Co, Wells Fargo Bank, 1st Republic Bank, Charles Schwab, Del Monte Foods, Hills Bros Coffee, and Ghiradelli.

The San Francisco area has a diversified and well-educated workforce with a high concentration of new immigrants, with various levels of expertise, and well-trained professionals, with advanced degrees beyond high school. The area offers many opportunities for small businesses, as nearly 95 percent of all the area’s businesses employ 50 workers or less.

Although there are numerous opportunities within the area, there are some pitfalls for starting or relocating a business and for individuals wanting to purchase a home in the area. The San Francisco area's cost of living is one of the highest in the country at 170.2 percent in 2008 versus the national average of 100.0 percent¹. The median housing price is also very high at \$830,700 in 2007.²

Numerous financial institutions, mortgage banking companies, and credit unions serve this assessment area with 515 HMDA reporters originating or purchasing 73,002 HMDA-reportable loans totaling \$41.0 billion in 2007. Gateway represented less than one percent of the total market share of loans originated or purchased in both number and dollars within the San Francisco AA and was ranked 44th of the 515 HMDA reporters.

Lending in this Assessment Area

During the review period, Gateway originated and purchased 35,981 HMDA-reportable residential mortgage loans totaling \$9.8 billion with 4,163 loans (11.6 percent) totaling \$1.7 billion (17.0 percent) in the combined assessment areas. Of the combined assessment areas, Gateway originated and purchased 1,195 (28.7 percent) of 4,163 HMDA-reportable residential mortgage loans totaling \$598.4 million (36.0 percent) of \$1.7 billion within the San Francisco AA.

Geographic Distribution of loans in this Assessment Area

Part of the lending test includes an analysis of Gateway's lending activity with respect to the distribution of loans among geographic areas of different income levels within the assessment area. Table 7 illustrates loan originations and purchases, categorized by geography income level, that Gateway reported during each year of the review period, and compares this activity to the 2006 and 2007 aggregate HMDA-reporting lenders.

¹ The American Chamber of Commerce Research Association (ACCRA) *Cost of Living Index* is published quarterly by C2ER – The Council for Community and Economic Research. The composite index is based on six components – housing, utilities, grocery items, transportation, health care and miscellaneous goods and services. In 2008, 322 urban communities participated in the rating.

² www.city-data.com

Table 7- Distribution of Gateway's HMDA-Reported Residential Mortgage Loans By Geographic Income Level in the Assessment Area (Dollars in thousands)										
Geography Income Level	2006		2007		2008		Review Period 1/1/06-12/31/08		Aggregate 2006	Aggregate 2007
	#	%	#	%	#	%	#	%	% by #	% by #
Low	17	2.8	5	2.2	15	4.2	37	3.1	3.6	0.5
Moderate	99	16.2	36	15.9	50	14.0	185	15.5	17.6	2.7
Middle	316	51.5	99	43.8	160	45.0	575	48.1	45.5	10.1
Upper	181	29.5	86	38.1	131	36.8	398	33.3	33.3	66.6
Income NA	0	0.0	0	0.0	0	0.0	0	0.0	0.0	20.1
Total	613	100.0	226	100.0	356	100.0	1,195	100.0	100.0	100.0
	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	7,571	2.5	1,760	1.3	6,511	4.0	15,842	2.6	3.0	3.6
Moderate	38,519	12.8	16,488	12.2	20,605	12.7	75,612	12.6	14.9	11.6
Middle	143,023	47.6	51,354	37.9	67,402	41.6	261,779	43.8	40.0	33.7
Upper	111,528	37.1	66,032	48.6	67,621	41.7	245,181	41.0	42.1	51.1
Income NA	0	0.0	0	0.0	0	0.0	0	0.0	0.0	0.0
Total	300,641	100.0	135,634	100.0	162,139	100.0	598,414	100.0	100.0	100.0

Gateway's percentage distribution of HMDA-reportable loans by number and dollar amount within LMI geographies for the review period was reasonable when compared to other lenders in this assessment area, especially during 2007. The geographic distribution of HMDA-reportable loans demonstrated good penetration throughout the assessment area.

Lending to Borrowers of Different Incomes in this Assessment Area

As part of our lending analysis, we reviewed the institution's lending activity with respect to the distribution of loans among borrowers of different income levels within the assessment area. Table 8 illustrates loan originations, categorized by borrower income level, that Gateway reported during the review period, and compares this activity to the 2006 and 2007 aggregate HMDA-reporting lenders.

**Table 8– Distribution of Gateway’s HMDA-Reported Residential Mortgage Loans
By Borrower Income Level in the Assessment Area
(Dollars in thousands)**

Borrower Income Level	2006		2007		2008		Review Period 1/1/06-12/31/08		Aggregate 2006	Aggregate 2007
	#	%	#	%	#	%	#	%	% by #	% by #
Low	2	0.3	3	1.3	1	0.3	6	0.5	1.3	1.3
Moderate	11	1.8	7	3.1	2	0.6	20	1.7	4.3	4.8
Middle	38	6.2	17	7.5	1	0.3	56	4.7	10.6	9.9
Upper	421	68.7	163	72.1	5	1.4	589	49.3	60.2	64.2
Income NA	141	23.0	36	16.0	347	97.4	524	43.8	23.6	19.8
Total	613	100.0	226	100.0	356	100.0	1,195	100.0	100.0	100.0
	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	255	0.1	638	0.5	235	0.1	1,128	0.2	0.4	0.4
Moderate	3,266	1.1	2,195	1.6	521	0.3	5,982	1.0	2.0	2.1
Middle	13,736	4.6	6,744	5.0	227	0.1	20,707	3.5	6.7	5.6
Upper	217,243	72.2	104,758	77.2	2,038	1.3	324,039	54.1	66.8	69.4
Income NA	66,141	22.0	21,299	15.7	159,118	98.2	246,558	41.2	24.1	22.5
Total	300,641	100.0	135,634	100.0	162,139	100.0	598,414	100.0	100.0	100.0

Gateway’s lending to LMI borrowers was less by number and dollar amount than other lenders in this assessment area during the review period. This number is somewhat skewed and will be weighted accordingly, due to income not being reported on 43.8 percent of the HMDA-reportable loans purchased.

Community Development Lending, Services, and Investments

Please see the Institution section of this Performance Evaluation for information regarding the institution’s community development lending, services, and investments.

Oakland-Fremont-Hayward, CA MSA

(for each metropolitan area where no assessment areas were reviewed using full-scope review)

Description of Assessment Areas – Oakland-Fremont-Hayward, CA MSA #36084

Gateway has defined the entire Oakland-Fremont-Hayward, CA MSA (Oakland AA) consisting of Counties of Alameda and Contra Costa as one of its assessment areas. Gateway has a retail branch located in a low-income tract within this assessment area.

Table 9 illustrates demographic data on population, families, and housing units within the assessment area as follows:

Demographic Data	2000 Census
Population	1,545,387
Total Families	375,207
1-4 Family Units	511,793
Multi-family Units	72,881
% Owner-Occupied Units	59.6
% Rental-Occupied Units	27.0
% Vacant Housing Units	13.4
Weighted Average Median Housing	\$136,366

Table 10 indicates that there are 489 census tracts in the assessment area, with 52 low-income and 103 moderate-income areas. One of the census tracts has no income designation. The table compares each geography income level to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geography Income Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
Low	52	10.6	41,579	7.1	44,323	6.4
Moderate	103	21.1	106,625	18.2	119,118	17.2
Middle	191	39.1	242,151	41.3	287,407	41.5
Upper	142	29.0	195,664	33.4	241,699	34.9
Income NA	1	0.2	0	0.0	0	0.0
Total	489	100.0	586,019	100.0	692,546	100.0

According to 2000 U.S. Census, 38.5 percent of the families in the assessment area are classified as low- to moderate-income, with 8.5 percent of the families reporting income below the poverty level. The Department of Housing and Urban Development (HUD) annually adjusts the 2000 Census data to update the income levels. The adjusted figures are used in the “Lending to Borrowers of Different Incomes” section of this Performance Evaluation. Table 11(a) indicates the median family income

ranges of each income category based, on the 2008 HUD adjustment. Table 11(b) reflects the updated HUD median family income for each year during the review period. Table 11(c) shows the distribution of families in each income range of the assessment area.

Income Category (As % of Median)	Income Ranges	
	From \$	To \$
Low (< 50%)	1	43,049
Moderate (50% - 79%)	43,050	68,879
Middle (80% - 119%)	68,880	103,319
Upper (>= 120%)	103,320	+

Year	Amount \$
2006	83,800
2007	83,000
2008	86,100

* Based on HUD 2008 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2004 Revision	
	Number	Percent
Low (< 50%)	122,876	21.0
Moderate (50% - 79%)	102,373	17.5
Middle (80% - 119%)	124,120	21.2
Upper (>= 120%)	236,650	40.4
Total	586,019	100.0

The Oakland AA has a diversified economic base not dominated by a single industry. The health care, biotechnology, creative arts, and retail industries all have a strong presence in the area. The area has seen growth in the green technology and clean industry sectors, with several companies working on efficient energy sources including bio-fuel and solar energy. During the 1990s, Oakland experienced several major plant closures including Gerber Products, General Electric, American Can, and Transamerican Delaval. During the 2000s the economy improved in the area and today still boosts several large employers including Clorox, Kaiser Permanente, Cost Plus, Dreyer’s Grand Ice Cream, APL Limited, Rainin Instruments and AT&T Corporation.

International trade is also very active in the area due to the Port of Oakland. Chief exports at the port include fruits and vegetables, waste paper, red meat and poultry, resins, chemicals, animal feed, raw cotton, wood and lumber, crude fertilizers/minerals, industrial machinery, and cereal. Imports include auto parts, computer equipment, apparel, toys, games, plastic, iron and steel, and beverages. More than 200,000 jobs are related to the movement of cargo through the Oakland marine terminals.

The Oakland AA's cost of living is high at 163.7 percent for Alameda County and 157.2 percent for Contra Costa County in 2008 versus the national average of 100.00.³ The median housing price in both counties in the Oakland AA have risen dramatically since 2000, from \$291,900 to \$651,800 in 2007 in Alameda County and from \$253,800 to \$622,200 in 2007 in Contra Costa County.⁴ These drastic increases have made it difficult for LMI individuals to purchase affordable housing.

Numerous financial institutions, mortgage banking companies, and credit unions serve this assessment area with 602 HMDA reporters originating or purchasing 144,503 HMDA-reportable loans totaling \$57.6 billion in 2007. Gateway represented less than one percent of the total market share of loans originated or purchased in both number and dollars within the Oakland AA and was ranked 47th of the 602 HMDA reporters.

Lending in this Assessment Area

During the review period, Gateway originated and purchased 35,981 HMDA-reportable residential mortgage loans totaling \$9.8 billion with 4,163 loans (11.6 percent) totaling \$1.7 billion (17.0 percent) in the combined assessment areas. Of the combined assessment areas, Gateway originated and purchased 1,971 (47.4 percent) of 4,163 HMDA-reportable residential mortgage loans totaling \$665.8 million (40.0 percent) of \$1.7 billion within the Oakland AA.

Geographic Distribution of loans in this Assessment Area

Part of the lending test includes an analysis of Gateway's lending activity with respect to the distribution of loans among geographic areas of different income levels within the assessment area. Table 12 illustrates loan originations and purchases, categorized by geography income level, that Gateway reported during each year of the review period, and compares this activity to the 2006 and 2007 aggregate HMDA-reporting lenders.

³ The American Chamber of Commerce Research Association (ACCRA) *Cost of Living Index* is published quarterly by C2ER – The Council for Community and Economic Research. The composite index is based on six components – housing, utilities, grocery items, transportation, health care and miscellaneous goods and services. In 2008, 322 urban communities participated in the rating.

⁴ www.city-data.com

Table 12- Distribution of Gateway's HMDA-Reported Residential Mortgage Loans By Geographic Income Level in the Assessment Area (Dollars in thousands)										
Geography Income Level	2006		2007		2008		Review Period 1/1/06-12/31/08		Aggregate 2006	Aggregate 2007
	#	%	#	%	#	%	#	%	% by #	% by #
Low	86	8.5	36	8.6	17	3.1	139	7.1	6.6	5.6
Moderate	222	22.0	72	17.1	79	14.6	373	18.9	18.3	16.3
Middle	478	47.4	190	45.1	237	43.8	905	45.9	45.1	42.4
Upper	223	22.1	123	29.2	208	38.5	554	28.1	30.0	35.7
Income NA	0	0.0	0	0.0	0	0.0	0	0.0	0.0	0.0
Total	1,009	100.0	421	100.0	541	100.0	1,971	100.0	100.0	100.0
	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	21,826	6.7	10,414	7.1	3,963	2.0	36,203	5.4	5.0	4.3
Moderate	62,502	19.2	21,533	14.6	18,489	9.6	102,524	15.4	15.1	13.5
Middle	147,728	45.5	64,398	43.7	77,757	40.2	289,883	43.6	41.3	37.0
Upper	92,958	28.6	50,915	34.6	93,301	48.2	237,174	35.6	38.6	45.2
Income NA	0	0.0	0	0.0	0	0.0	0	0.0	0.0	0.0
Total	325,014	100.0	147,260	100.0	193,510	100.0	665,784	100.0	100.0	100.0

Gateway's percentage distribution of HMDA-reportable loans by number and dollar amount within LMI geographies for the review period was reasonable when compared to other lenders in this assessment area. The geographic distribution of HMDA-reportable loans demonstrated good penetration throughout the assessment area.

Lending to Borrowers of Different Incomes in this Assessment Area

As part of our lending analysis, we reviewed the institution's lending activity with respect to the distribution of loans among borrowers of different income levels within the assessment area. Table 13 illustrates loan originations, categorized by borrower income level, that Gateway reported during the review period, and compares this activity to the 2006 and 2007 aggregate HMDA-reporting lenders.

**Table 13– Distribution of Gateway’s HMDA-Reported Residential Mortgage Loans
By Borrower Income Level in the Assessment Area
(Dollars in thousands)**

Borrower Income Level	2006		2007		2008		Review Period 1/1/06-12/31/08		Aggregate 2006	Aggregate 2007
	#	%	#	%	#	%	#	%	% by #	% by #
Low	7	0.7	8	1.9	2	0.4	17	0.9	1.3	1.5
Moderate	39	3.9	21	5.0	2	0.4	62	3.1	5.6	7.2
Middle	161	16.0	57	13.5	10	1.8	228	11.6	15.6	16.4
Upper	621	61.5	293	69.6	12	2.2	926	47.0	54.7	55.5
Income NA	181	17.9	42	10.0	515	95.2	738	37.4	22.8	19.4
Total	1,009	100.0	421	100.0	541	100.0	1,971	100.0	100.0	100.0
	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	1,400	0.4	1,781	1.2	330	0.2	3,511	0.5	0.5	0.6
Moderate	9,788	3.0	5,291	3.6	370	0.2	15,449	2.3	3.3	4.1
Middle	45,593	14.0	16,477	11.2	3,050	1.6	65,120	9.8	11.8	12.0
Upper	206,006	63.4	105,214	71.4	4,327	2.2	315,547	47.4	61.1	61.6
Income NA	62,227	19.2	18,497	12.6	185,433	95.8	266,157	40.0	23.3	21.7
Total	325,014	100.0	147,260	100.0	193,510	100.0	665,784	100.0	100.0	100.0

Gateway’s lending to LMI borrowers was less by number and dollar amount than other lenders in this assessment area during the review period. This number is somewhat skewed and will be weighted accordingly, due to income not being reported on 37.4 percent of the HMDA-reportable loans purchased.

Community Development Lending, Services, and Investments

Please see the Institution section of this Performance Evaluation for information regarding the institution’s community development lending, services, and investments.

San Jose-Sunnyvale-Santa Clara, CA MSA

(for each metropolitan area where no assessment areas were reviewed using full-scope review)

Description of Assessment Areas – San Jose-Sunnyvale-Santa Clara MSA #41940

Gateway has defined the entire San Jose-Sunnyvale-Santa Clara, CA MSA (Santa Clara AA), consisting of San Benito and Santa Clara Counties, as one of its assessment areas. Gateway does not have a branch or deposit-taking ATM, but did have a loan production office (LPO) within Santa Clara County. Ordinarily, LPOs cannot determine an assessment area for CRA purposes, but the Santa Clara AA is part of the larger San Jose-San Francisco-Oakland, California Combined Statistical Area (CSA) and is contiguous with the San Francisco AA; therefore, it may be included for analysis.

Table 14 illustrates demographic data on population, families, and housing units within the assessment area as follows:

Demographic Data	2000 Census
Population	1,735,819
Total Families	412,783
1-4 Family Units	458,353
Multi-family Units	137,475
% Owner-Occupied Units	58.7
% Rental-Occupied Units	39.0
% Vacant Housing Units	2.7
Weighted Average Median Housing	\$443,769

Table 15 indicates that there are 349 census tracts in the assessment area, with 14 low-income and 79 moderate-income areas. The table compares each geography income level to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geography Income Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
Low	14	4.0	12,598	3.1	10,359	2.3
Moderate	79	22.6	87,267	21.1	85,024	18.5
Middle	163	46.7	197,236	47.8	217,534	47.5
Upper	93	26.6	115,682	28.0	145,435	31.7
Total	349	100.0	412,783	100.0	458,353	100.0

According to 2000 U.S. Census, 38.6 percent of the families in the assessment area are classified as low- to moderate-income, with 6.1 percent of the families reporting income below the poverty level. The Department of Housing and Urban Development (HUD) annually adjusts the 2000 Census data

to update the income levels. The adjusted figures are used in the “Lending to Borrowers of Different Incomes” section of this Performance Evaluation. Table 16(a) indicates the median family income ranges of each income category based on the 2008 HUD adjustment. Table 16(b) reflects the updated HUD median family income for each year during the review period. Table 16(c) shows the distribution of families in each income range of the assessment area.

Income Category (As % of Median)	Income Ranges	
	From \$	To \$
Low (< 50%)	1	43,049
Moderate (50% - 79%)	43,050	68,879
Middle (80% - 119%)	68,880	103,319
Upper (>= 120%)	103,320	+

Year	Amount \$
2006	83,800
2007	83,000
2008	86,100

* Based on HUD 2008 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2004 Revision	
	Number	Percent
Low (< 50%)	122,876	21.0
Moderate (50% - 79%)	102,373	17.5
Middle (80% - 119%)	124,120	21.2
Upper (>= 120%)	236,650	40.4
Total	586,019	100.0

The Santa Clara AA major economic base includes the manufacturing and agriculture sectors. The area is home to several large computer manufacturers such as Apple, Cisco Systems, Intel, and Hewlett-Packard, as well as, several food manufacturers such as National Selection Foods, Pride of San Juan, and McCormick. San Benito County is known for its agricultural base which includes the production of various fruit, vegetable, and nut crops. The area also supports the health services, restaurant, and education industries.

The Santa Clara AA’s cost of living is high at 163.4 percent for Santa Clara County and 111.8 percent for San Benito County in 2008 versus the national average of 100.00.⁵ The median housing price in both counties in the Santa Clara AA have risen dramatically since 2000, from \$422,600 to \$758,100 in 2007 in Santa Clara County and from \$283,900 to \$766,068 in 2007 in San Benito County.⁶ These drastic increases have made it difficult for LMI individuals to purchase affordable housing.

⁵ The American Chamber of Commerce Research Association (ACCRA) *Cost of Living Index* is published quarterly by C2ER – The Council for Community and Economic Research. The composite index is based on six components – housing, utilities, grocery items, transportation, health care and miscellaneous goods and services. In 2008, 322 urban communities participated in the rating.

⁶ www.city-data.com

Numerous financial institutions, mortgage banking companies, and credit unions serve this assessment area with 509 HMDA reporters originating or purchasing 89,647 HMDA-reportable loans totaling \$43.1 billion in 2007. Gateway represented less than one percent of the total market share of loans originated or purchased in both number and dollars within the Santa Clara AA and was ranked 56th of the 509 HMDA reporters.

Lending in this Assessment Area

During the review period, Gateway originated and purchased 35,981 HMDA-reportable residential mortgage loans totaling \$9.8 billion with 4,163 loans (11.6 percent) totaling \$1.7 billion (17.0 percent) in the combined assessment areas. Of the combined assessment areas, Gateway originated and purchased 997 (23.9 percent) of 4,163 HMDA-reportable residential mortgage loans totaling \$398.1 million (23.9 percent) of \$1.7 billion within the Santa Clara AA.

Geographic Distribution of loans in this Assessment Area

Part of the lending test includes an analysis of Gateway’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the assessment area. Table 17 illustrates loan originations and purchases, categorized by geography income level, that Gateway reported during each year of the review period, and compares this activity to the 2006 and 2007 aggregate HMDA-reporting lenders.

Geography Income Level	2006		2007		2008		Review Period 1/1/06-12/31/08		Aggregate 2006	Aggregate 2007
	#	%	#	%	#	%	#	%	% by #	% by #
Low	12	2.5	5	2.5	2	0.6	19	1.9	2.4	2.0
Moderate	153	31.7	53	26.2	52	16.6	258	25.9	23.8	21.1
Middle	236	49.0	104	51.5	142	45.4	482	48.3	47.8	46.9
Upper	81	16.8	40	19.8	117	37.4	238	23.9	26.0	30.0
Income NA	0	0.0	0	0.0	0	0.0	0	0.0	0.0	0.0
Total	482	100.0	202	100.0	313	100.0	997	100.0	100.0	100.0
	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	3,608	1.9	1,937	2.5	592	0.4	6,137	1.5	1.8	1.5
Moderate	48,599	26.2	18,806	24.1	16,636	12.4	84,041	21.1	19.5	16.8
Middle	90,756	48.9	35,623	45.6	57,381	42.8	183,760	46.2	43.9	42.7
Upper	42,804	23.0	21,733	27.8	59,583	44.4	124,120	31.2	34.8	39.0
Income NA	0	0.0	0	0.0	0	0.0	0	0.0	0.0	0.0
Total	185,767	100.0	78,099	100.0	134,192	100.0	398,058	100.0	100.0	100.0

Gateway’s percentage distribution of HMDA-reportable loans by number and dollar amount within LMI geographies for the review period was reasonable when compared to other lenders in this assessment area. The geographic distribution of HMDA-reportable loans demonstrated good penetration throughout the assessment area.

Lending to Borrowers of Different Incomes in this Assessment Area

As part of our lending analysis, we reviewed the institution’s lending activity with respect to the distribution of loans among borrowers of different income levels within the assessment area. Table 18 illustrates loan originations, categorized by borrower income level, that Gateway reported during the review period, and compares this activity to the 2006 and 2007 aggregate HMDA-reporting lenders.

Table 18– Distribution of Gateway’s HMDA-Reported Residential Mortgage Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)										
Borrower Income Level	2006		2007		2008		Review Period 1/1/06-12/31/08		Aggregate 2006	Aggregate 2007
	#	%	#	%	#	%	#	%	% by #	% by #
Low	4	0.8	1	0.5	1	0.3	6	0.6	1.5	1.5
Moderate	27	5.6	10	5.0	2	0.6	39	3.9	5.5	6.8
Middle	76	15.8	43	21.3	5	1.6	124	12.4	16.7	16.1
Upper	288	59.8	129	63.8	10	3.2	427	42.8	54.5	58.6
Income NA	87	18.0	19	9.4	295	94.3	401	40.3	21.8	17.0
Total	482	100.0	202	100.0	313	100.0	997	100.0	100.0	100.0
	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	967	0.5	132	0.2	200	0.1	1,299	0.3	0.6	0.6
Moderate	7,024	3.8	2,825	3.6	385	0.3	10,234	2.6	3.1	3.7
Middle	23,919	12.9	14,392	18.4	1,561	1.2	39,872	10.0	12.4	11.3
Upper	119,616	64.4	52,491	67.2	5,083	3.8	177,190	44.5	62.2	65.4
Income NA	34,241	18.4	8,259	10.6	126,963	94.6	169,463	42.6	21.7	19.0
Total	185,767	100.0	78,099	100.0	134,192	100.0	398,058	100.0	100.0	100.0

Gateway’s lending to LMI borrowers was less by number and dollar amount than other lenders in this assessment area during the review period. This number is somewhat skewed and will be weighted accordingly, due to income not being reported on 40.3 percent of the HMDA-reportable loans purchased.

Community Development Lending, Services, and Investments

Please see the Institution section of this Performance Evaluation for information regarding the institution's community development lending, services, and investments.

CRA Rating Definitions

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.