



NEWS RELEASE

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FDIC IMPLEMENTS LOAN MODIFICATION PROGRAM FOR DISTRESSED INDYMAC MORTGAGE LOANS

Loss-mitigation plan to yield loans that are affordable for troubled borrowers and sustainable over the long term, achieving a higher return for the FDIC

FDIC Chairman Sheila C. Bair today announced that IndyMac Federal Bank, FSB will implement a new program to systematically modify troubled mortgages. The program is designed to achieve affordable and sustainable mortgage payments for borrowers and increase the value of distressed mortgages by rehabilitating them into performing loans. This in turn will maximize value for the FDIC as well as improve returns to the creditors of the former IndyMac Bank and to investors in those mortgages. The new program will help IndyMac Federal improve its mortgage portfolio and servicing by modifying troubled mortgages, where appropriate, into performing mortgages.

“I have long supported a systematic and streamlined approach to loan modifications to put borrowers into long-term, sustainable mortgages—achieving an improved return for bankers and investors compared to foreclosure,” said Chairman Bair. “The program we are announcing today will provide affordable mortgages for eligible borrowers primarily in the so-called ‘Alt-A’ market. It provides a systematic approach for modifying troubled loans with payment resets due to negative amortization and other resets -- a market where we are seeing growing defaults and foreclosures. The modified loans will be underwritten to an affordable debt-to-income (DTI) ratio. By providing long-term sustainable payments, this program will reduce future defaults, improve the value of the mortgages, and cut servicing costs. Our goal is to get the greatest recovery possible on loans in default or in danger of default, while helping troubled borrowers remain in their homes. I believe we achieve that with this framework.”

Chairman Bair continued, “Foreclosure is often a lengthy, costly and destructive process. Avoiding foreclosure not only strengthens local neighborhoods where foreclosures are already driving down property values, it makes good business sense. This is a ‘win-win’ program all around.”

The former IndyMac Bank, F.S.B. Pasadena, California, was closed on July 11th by the Office of Thrift Supervision and the FDIC was appointed as receiver. On the same day, the FDIC was named as conservator for a new institution, IndyMac Federal Bank, FSB.

IndyMac Federal is focusing first on helping those borrowers with mortgages that are seriously delinquent or in default, but will seek to work with others who are unable to pay their mortgages due to payment resets or changes in the borrowers’ repayment capacities. Based on this analysis, IndyMac Federal will extend proposed modification offers to borrowers for modifications or other loss mitigation designed to achieve affordable, long-term payments. IndyMac Federal will send an estimated 4,000 modification proposals to borrowers this week and thousands of additional proposals in the coming weeks. Once a borrower receives a modification proposal, he or she should begin making the modified payments and provide information to verify his or her income. Finalization of the modification agreement is contingent on the borrower providing information to allow verification of income to confirm that he or she qualifies for the proposed modification.

Under the IndyMac Federal program, eligible mortgages would be modified into sustainable mortgages permanently capped at the current Freddie Mac survey rate for conforming mortgages. Modifications would be designed to achieve sustainable payments at a 38 percent DTI ratio of principal, interest, taxes and insurance. To reach this metric for affordable payments, modifications could adopt a combination of interest rate reductions, extended amortization, and principal forbearance. Interest rate reductions below the current Freddie Mac survey rate may be made for a period of five years where such reductions are necessary to achieve a 38 percent DTI, and the reduced rate is consistent with maximizing net present value. For these loans, after five years, the interest rate would increase by no more than one percent per year until it is capped at the Freddie Mac survey rate where it would remain for

the balance of the loan term. Other modification features could be combined with an interest rate reduction, as necessary and consistent with maximizing the value of the mortgage, to achieve sustainable payments.

IndyMac Federal will only make modification offers to borrowers where doing so will achieve an improved value for IndyMac Federal or for investors in securitized or whole loans. Modification offers will be provided consistent with agreements governing servicing for loans serviced by IndyMac Federal for others. The modification program does not guarantee a modification offer for IndyMac Federal borrowers.

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Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's 8,494 banks and savings associations and it promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars – insured financial institutions fund its operations.

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