Remarks by
FDIC Chairman Sheila C. Bair
on the
IndyMac Loan Modification Announcement
August 20, 2008

Good afternoon, thank you for taking the time to participate in this conference call. I would recognize John Bovenzi with IndyMac Federal, who is also on the line, and thank him for his contributions to today's important announcement. John will provide brief remarks following mine.

I am pleased today to announce the implementation of a systematic loan modification program for troubled residential borrowers who have mortgages owned or serviced by IndyMac.

Proposed modification terms will be sent out to an estimated 4,000 IndyMac Federal borrowers based on information provided by the borrowers. Several thousand more proposals will be sent out in the coming weeks. I encourage borrowers to respond to these letters.

As I will briefly explain, this is a well balanced program that will maximize the value of these loans, ultimately returning more money to uninsured depositors and creditors, along with investors in the servicing portfolio.

At the same time, we hope to keep tens of thousands of troubled borrowers in their homes and avoid the negative consequences that foreclosures can have on the broader economy. 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.

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.

Let me run through the highlights of this program. We will have staff on hand to answer technical questions following John's remarks.

Under the IndyMac program, eligible mortgages will be modified into sustainable mortgages permanently capped at the current Freddie Mac survey rate for conforming mortgages which is currently about 6.5%. Modifications are designed to achieve sustainable payments at a 38% debt-to-income (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.

Eligibility for the streamlined loan modification will be available for most borrowers who have a first mortgage on their primary residence which is owned or securitized and serviced by IndyMac Federal Bank FSB. We will initially target borrowers who are seriously delinquent or in default. IndyMac Federal also will seek to work with others who are unable to pay their mortgages due to upcoming payment resets or other reasons.

As many of you know, I have been a consistent advocate for systematic loan modifications. A streamlined process that is consistently applied can maximize resources and work through many more troubled mortgages rather than on a case by case basis.

By turning troubled loans into performing loans, we enhance their overall value. Indeed, recent statistics reinforce this long standing conclusion. Over the past few years, FDIC sales of nonperforming loans have yielded about 32% of their book value, while sales of performing loans have produced returns of more than 87%.

As far back as the 1980s, the FDIC applied workout procedures for troubled loans out of bank failures, modifying loans to make them affordable and to turn nonperforming into performing loans.

I look forward to continuing to implement this program and ensuring that it is carried out consistent with our goals. We have modeled this initiative off of the best industry and sound banking policy practices in the marketplace.

It is my hope that this program will serve as a further catalyst to promote more loan modifications for troubled borrowers throughout the country. I will now turn it over to John Bovenzi, Chief Executive Officer of IndyMac Federal.

Last Updated 8/20/2008