The FDIC Loan Modification Program at IndyMac Federal Savings Bank

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IndyMac FSB

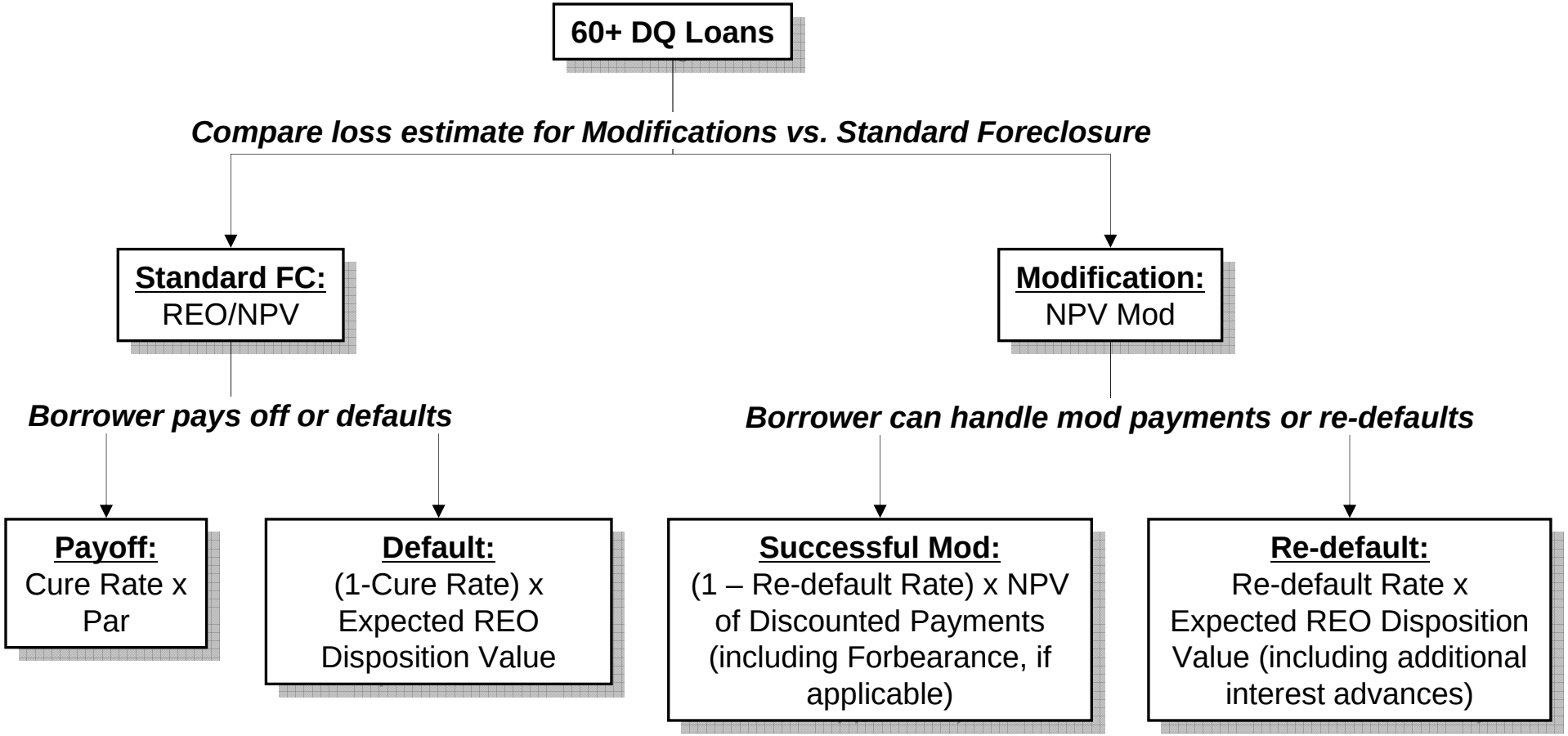
- FDIC named conservator for IndyMac Federal Bank of Pasadena, CA on July 11, 2008.
- Approximately 653,000 first lien mortgages.
- Over 60,000 mortgages were 60+ days past due.
- Only 7 percent of the first lien mortgages were owned by the institution.
- In March 2009, OneWest Bank acquired IndyMac under a loss share agreement.

Policy Challenges

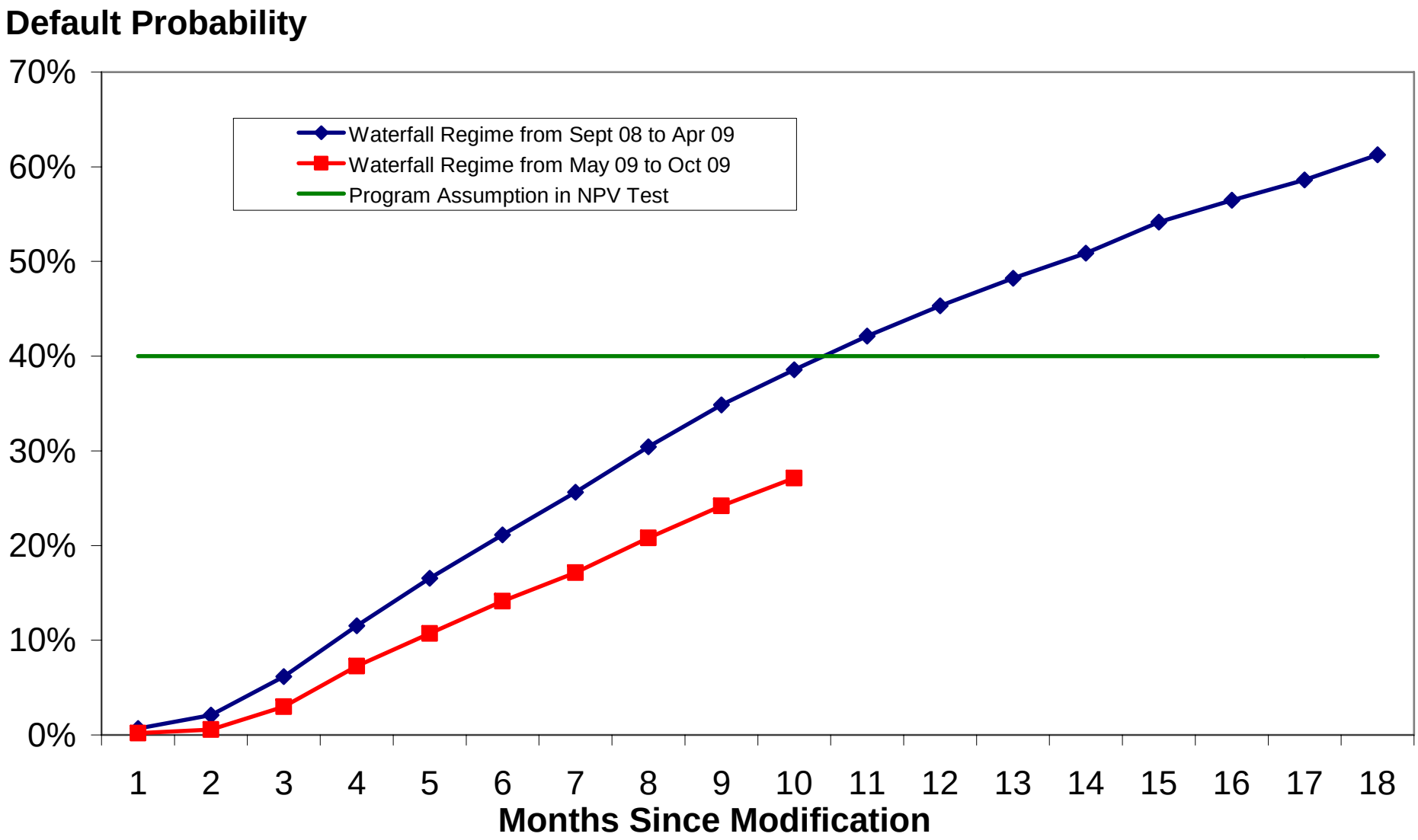
- Reduction of the Credit Risk in the IndyMac portfolio.
  - Extend assistance to sympathetic borrowers by establishing affordable and sustainable payments.
  - Increase the net present value of mortgage cash flows.
  - Help stabilize housing markets by preventing avoidable foreclosures.

NPV Test

An affordable payment is determined relative to a borrowers debt-to-income level. Modification terms are then established using a standard waterfall of rate reduction, term extension, and principal forbearance in order to reach the desired payment amount. Then the terms are processed in the NPV test.

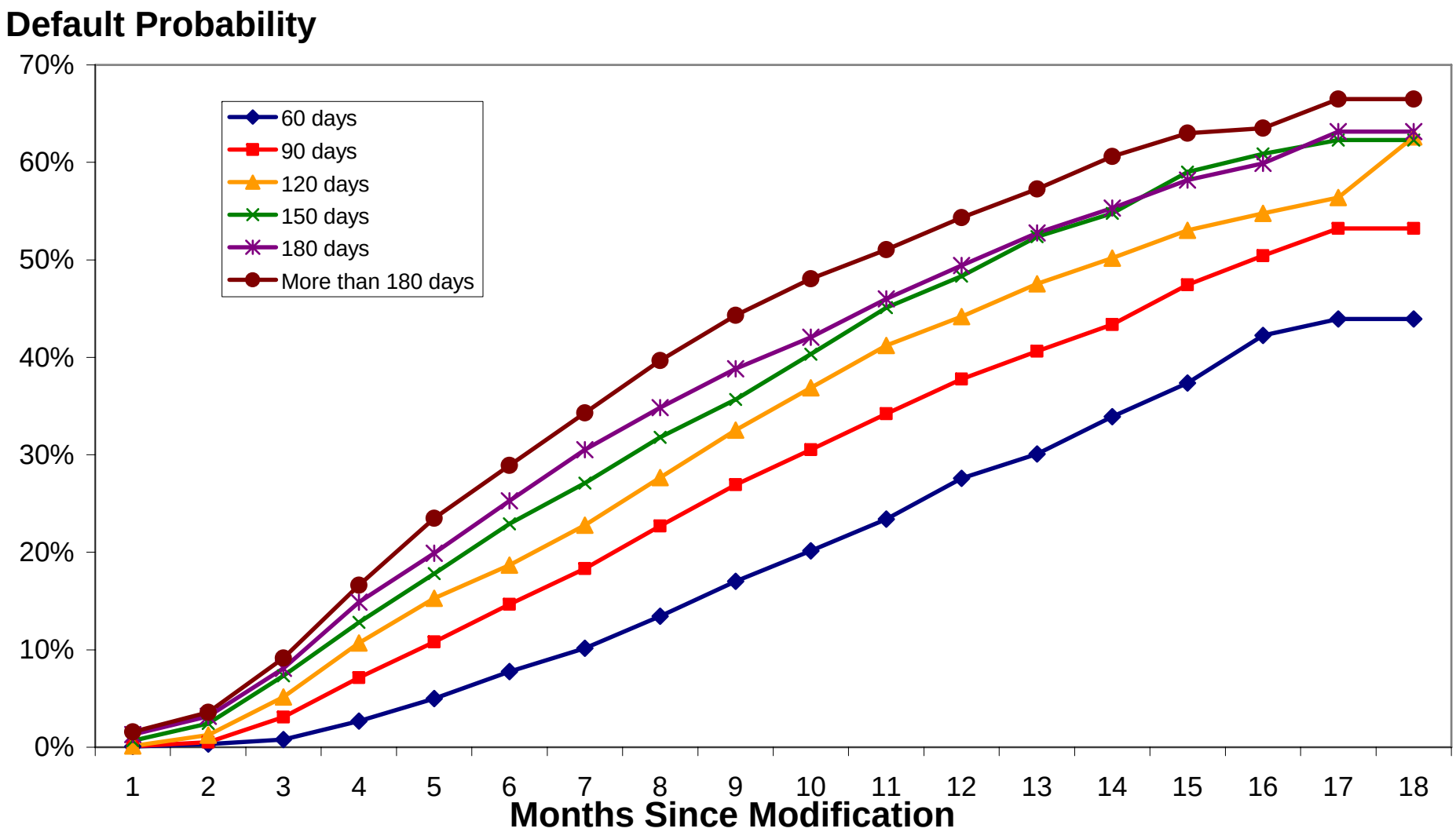


Later modifications showing improved performance.



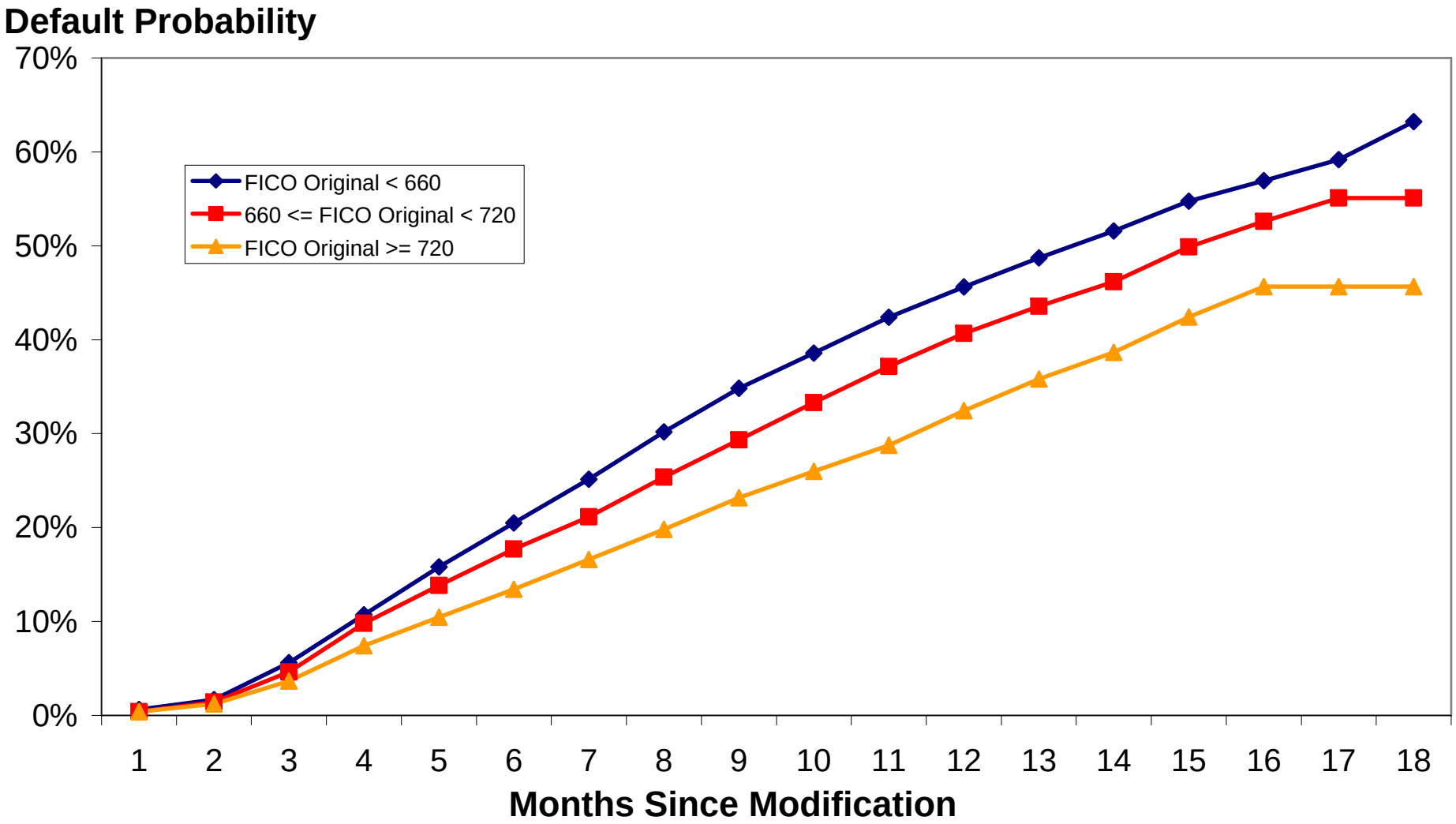
Source: FDIC, performance data through March 2010

Delinquency status prior to modification correlates with redefault performance.



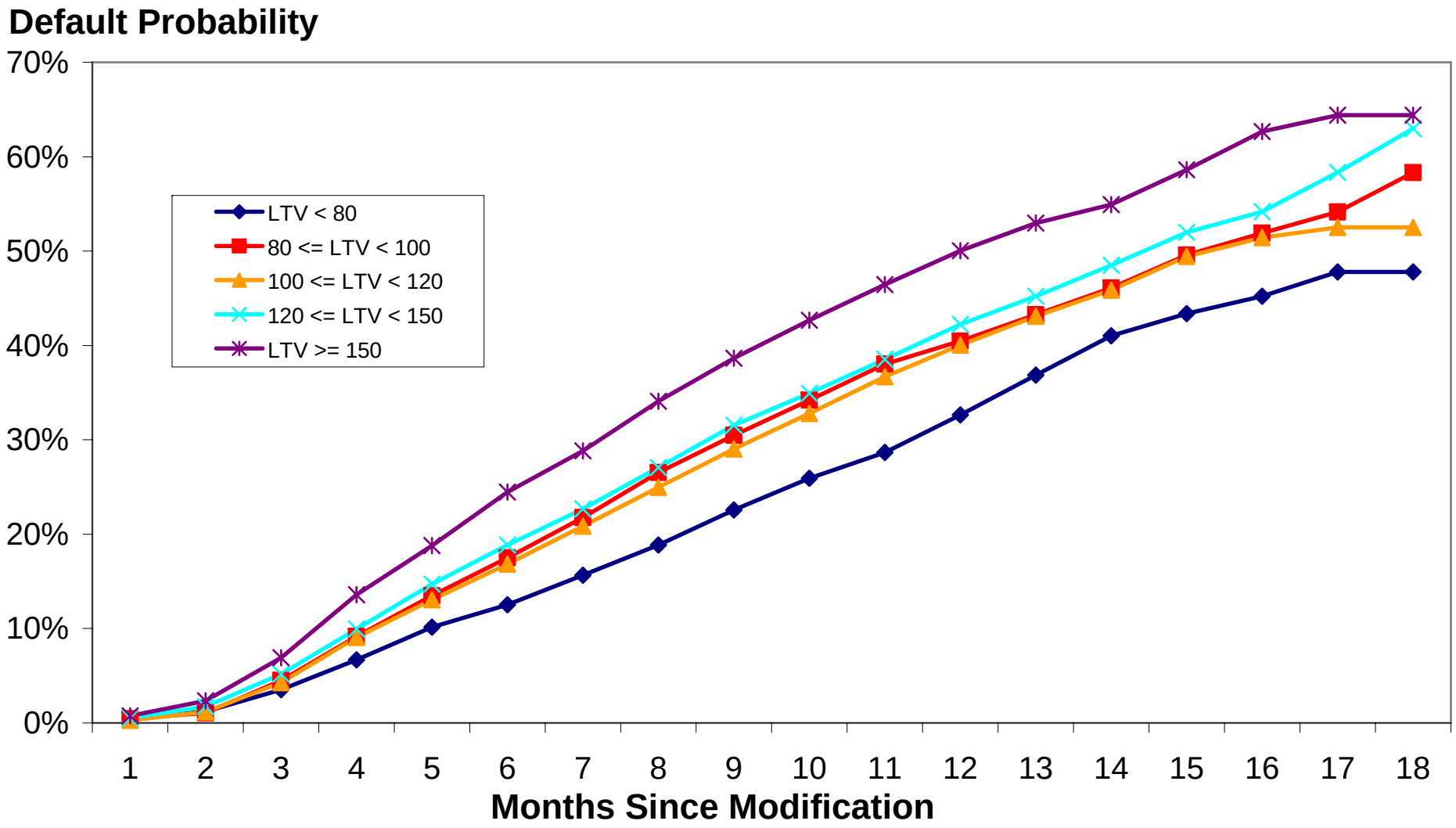
Source: FDIC, performance data through March 2010

Redefault performance declines with the borrower's original FICO score.



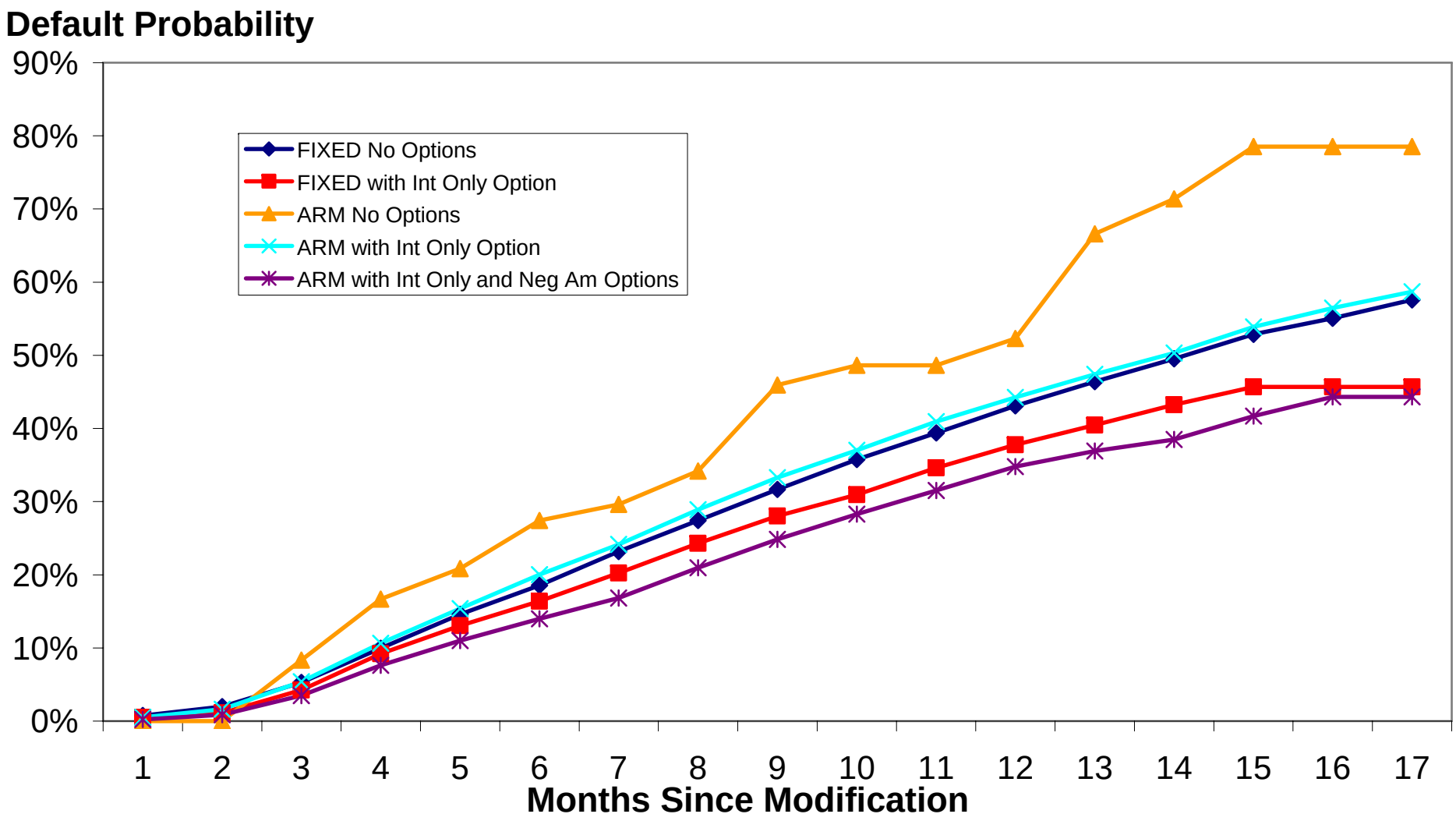
Source: FDIC, performance data through March 2010

Redefault performance varies directly with loan-to-value prior to modification.



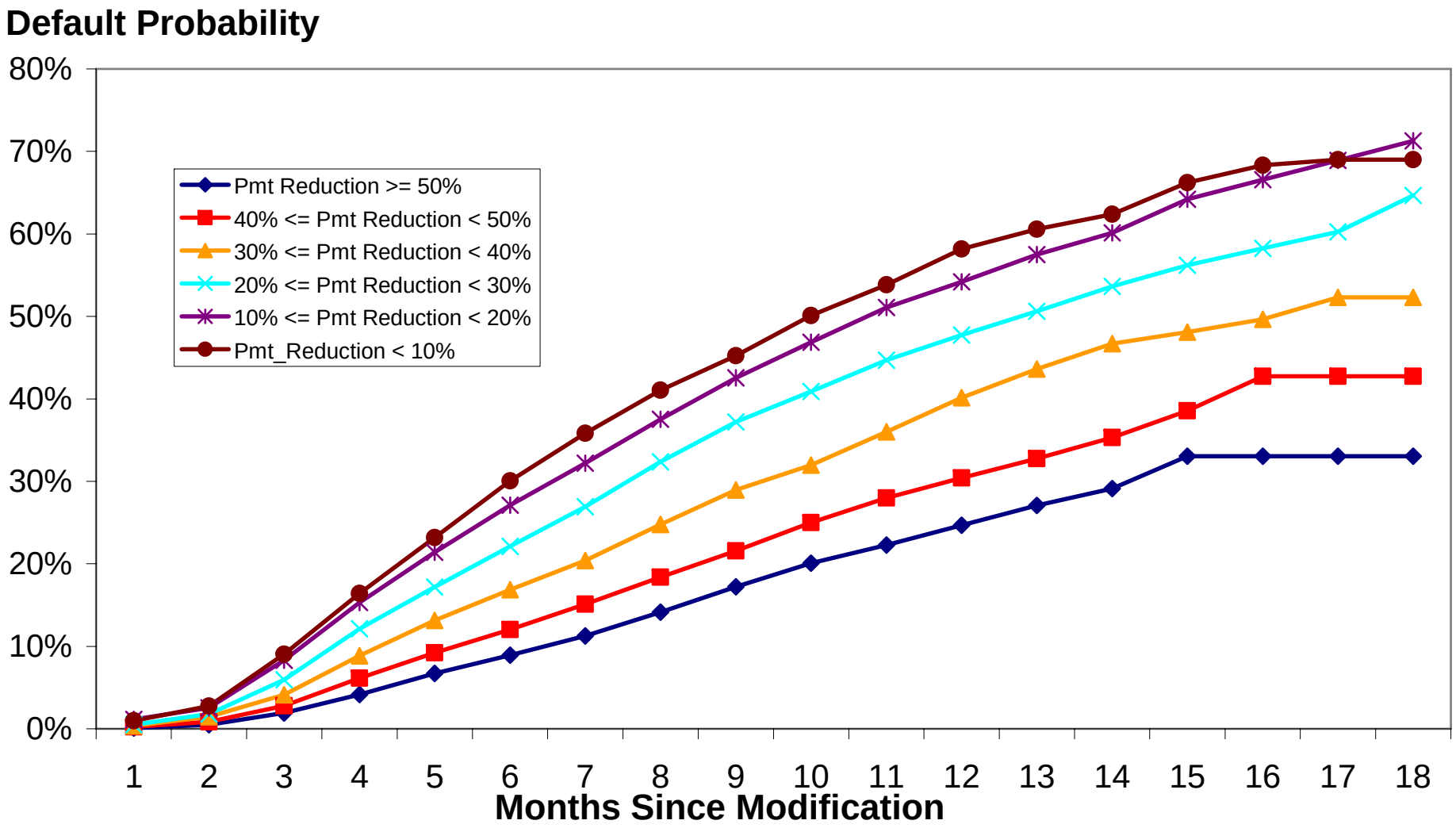
Source: FDIC, performance data through March 2010

ARM borrowers redefault more frequently after modification than fixed rate borrowers.



Source: FDIC, performance data through March 2010

Redefault rates decline markedly with larger reductions in monthly payments.



Source: FDIC, performance data through March 2010

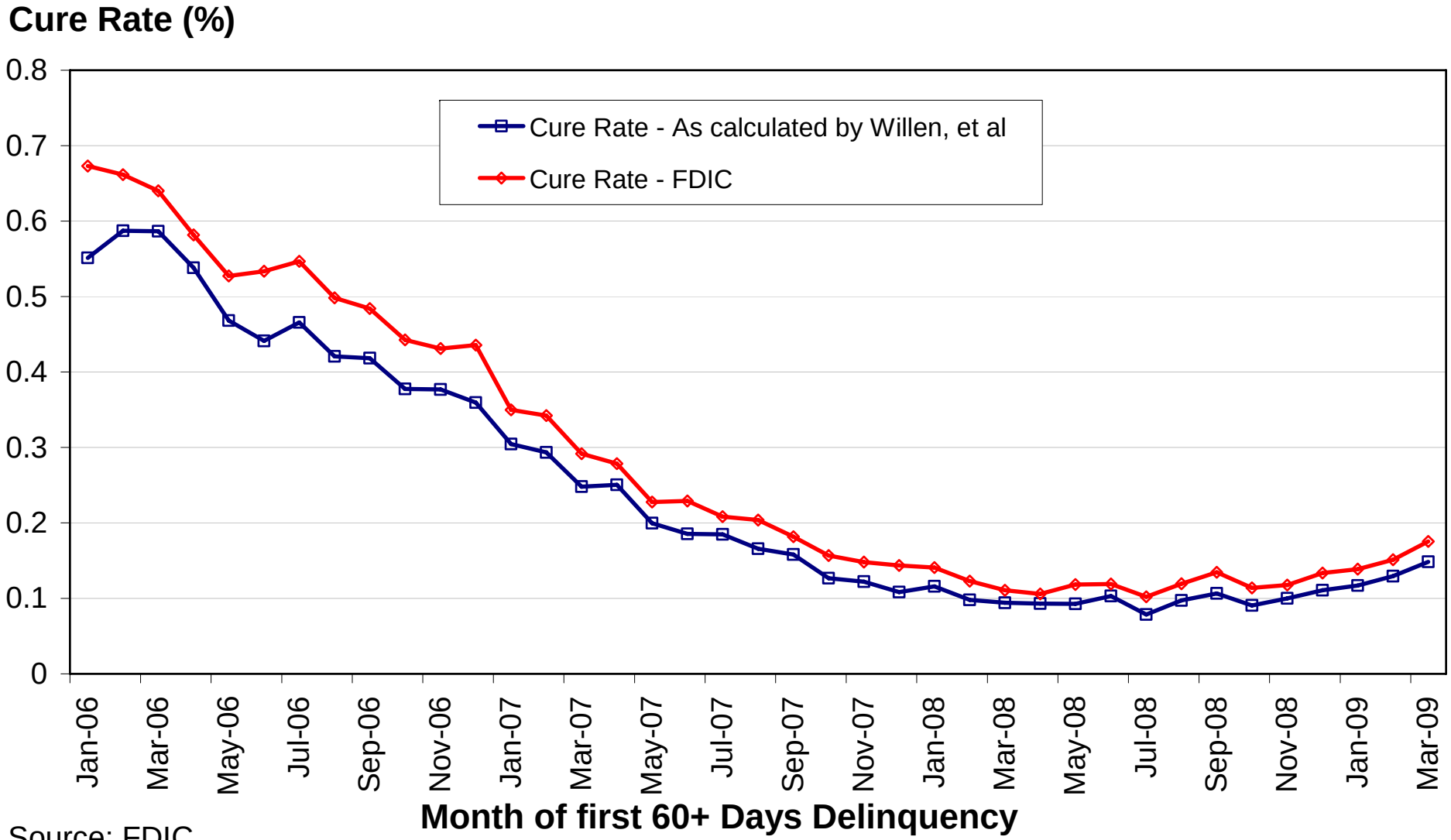
Redefault Comparison

The table below compares the redefault rates for loans modified in the third quarter of 2009, the only active period for both the FDIC Modification Program at IndyMac and HAMP. The statistics are based on ten months of performance. Ultimately, the redefault rates will be higher as the loans experience more seasoning.

	FDIC Loan Modification Program at IndyMac	HAMP
Number of Modifications Completed to Date	23,161	398,021[1]
Redefault Rate: 90+ Days Past Due for loans modified in Q3 2009	12.0%[2]	14.9%[3]

[1] Making Home Affordable Program Servicer Performance Report Through June 2010.
[2] Performance as of March 31st, 2010 using comparable calculations for IndyMac and HAMP data.
[3] Performance as of May 31 2010.

Cure rates also declined markedly as the mortgage crisis intensified.



Source: FDIC