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FDIC Board Approves Letter of Intent to Sell IndyMac Federal
Investor Group to Inject New Capital, Bring in Experienced Management Team

On Wednesday December 31, 2008 the Federal Deposit Insurance Corporation (FDIC) signed a letter of intent to sell the banking operations of IndyMac Federal Bank, FSB, Pasadena, California, to a thrift holding company controlled by IMB Management Holdings LP, a limited partnership. The FDIC's Board of Directors approved the agreement to sell IndyMac Federal to the investor group.

"The current economic climate is challenging for selling assets, but this agreement achieves the goals that were set out by the Chairman and Board when the FDIC was named conservator of IndyMac in July," said FDIC Deputy Director James Wigand, the lead negotiator for the transaction. "Unfortunately, as expected, IndyMac's liability structure, combined with aggressive real estate lending in California, had a significant impact on losses."

Prior to the IndyMac failure on July 11, 2008, the bank relied heavily on higher cost, less stable, brokered deposits, as well as secured borrowings, to fund its operations and focused on stated income and other aggressively underwritten loans in areas with rapidly escalating home prices, particularly in California and Florida. Since the FDIC has operated the institution, it has restructured funding to focus on more stable core deposits and on improving the value of the loans.

IMB Management Holdings LP and the investor group will inject a substantial amount of capital into a newly formed thrift holding company, which will own and operate IndyMac Federal. IMB Management Holdings LP, has agreed to bring in an experienced senior management team to run the day-to-day operations of the thrift.

Despite the challenges of selling assets in today's current economic climate, the FDIC received considerable initial interest from potential bidders. It was determined that the bid from IMB Management Holdings, LP, was the least costly to the Deposit Insurance Fund (DIF) of all competing bids.

The agreement with IMB Management Holdings, LP is not the first time private equity firms have participated in acquiring failed institutions. In the early 1990s, the FDIC tapped private equity when it sold New Bank of New England and CrossLand Federal Savings Bank.

The streamlined loan modification program introduced at IndyMac by the FDIC in late August has provided total estimated savings of $423 million based on a comparison of the projected net present value of the modified loans to the net present value of foreclosure. The continuation of the loan modification program will be a condition for the FDIC to provide any type of loss-sharing on IndyMac's assets.

"The FDIC and IndyMac staff accomplished a tremendous amount of work in a short period of time to help thousands of struggling homeowners stay in their homes and maximize value for both the Deposit Insurance Fund and mortgage investors," said John Bovenzi, CEO of IndyMac Federal and FDIC Chief Operating Officer.

The transaction is expected to close in late January or early February, at which time full details of the agreement will be provided. It is estimated that the cost to the FDIC's DIF for resolving IndyMac Bank will be between $8.5 billion and $9.4 billion, in line with previous loss estimates. Costs include prepayment fees of $341.4 million to the Federal Home Loan Bank of San Francisco, on the payoff of $6.3 billion in FHLB advances.

"It is unfortunate that many of the banks that have failed last year had a heavy reliance on Federal Home Loan Bank advances," Bovenzi said. "These secured borrowings and the associated prepayment penalties have the effect of increasing the costs to the FDIC and to uninsured depositors."

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