

Press Releases

July 11, 2008

OTS 08-029 - OTS Closes IndyMac Bank and Transfers Operations to FDIC

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OTS 08-029

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Washington, D.C. — The Office of Thrift Supervision (OTS) today closed the \$32 billion IndyMac Bank, headquartered in Pasadena, California, and transferred operations to the Federal Deposit Insurance Corporation (FDIC).

A successor institution, IndyMac Federal Bank, FSB, will open for business on Monday and be run by the FDIC. Depositors will have no access to banking services online and by telephone this weekend, but will continue to have access to their funds this weekend by ATM, through other debit card transactions and by writing checks. Online banking and phone banking services will be available again on Monday.

The OTS has determined that the current institution, IndyMac Bank, is unlikely to be able to meet continued depositors' demands in the normal course of business and is therefore in an unsafe and unsound condition. The immediate cause of the closing was a deposit run that began and continued after the public release of a June 26 letter to the OTS and the FDIC from Senator Charles Schumer of New York. The letter expressed concerns about IndyMac's viability. In the following 11 business days, depositors withdrew more than \$1.3 billion from their accounts.

"This institution failed today due to a liquidity crisis," OTS Director John Reich said. "Although this institution was already in distress, I am troubled by any interference in the regulatory process."

IndyMac is the largest OTS-regulated thrift ever to fail and, according to FDIC data, the second largest financial institution to close in U.S. history.

IndyMac had been in a precarious financial situation that was caused, in part, by an unprecedented stress in the residential real estate market, combined with the evaporation of the non-agency secondary mortgage market in August of 2007. The OTS had significant concerns with the bank's funding strategy, had directed appropriate changes and was finalizing a new set of enforcement actions to address its numerous problems.

As a result of an OTS examination that began in January 2008, the OTS deemed IndyMac to be in troubled condition. An overwhelming majority of problem institutions are able to successfully modify their operations and business plans, work closely with their regulator and eventually return to a healthy condition.

IndyMac had reacted to market conditions and OTS concerns in November 2007 by changing its operations and business plan to build a foundation for recovery. IndyMac was actively seeking to arrange a significant capital infusion or find a buyer. The recent release of the

senator's letter undermined the public confidence essential for a financial institution and took away the time IndyMac needed to pursue a recovery.

With no viable alternatives and insufficient liquidity, IndyMac was placed into receivership. The OTS has appointed the FDIC as conservator of the newly chartered successor institution and will transfer most of the assets and liabilities of IndyMac to the new thrift.

IndyMac specialized in making and selling so-called Alt-A mortgage loans, a category of loans to consumers more credit worthy than subprime borrowers but typically without the complete documentation of income or assets necessary to receive a prime-rate loan.

Depositors' accounts at IndyMac are insured by the FDIC's Deposit Insurance Fund up to the statutory limits. Customer questions regarding the institution, including questions about federal deposit insurance coverage, should be directed to the FDIC at 1 (866) 806-5919. This toll-free number will be available during the following hours:

Friday, July 11 – 3:00 to 9:00 p.m., PDT
Saturday, July 12 – 8:00 a.m. to 8:00 p.m., PDT
Sunday, July 13 – 8:00 a.m. to 6:00 p.m., PDT
Thereafter: 8:00 a.m. to 8:00 p.m., PDT

Fact Sheet - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-29a.pdf>

To download the audio file of the July 11, 2008 OTS News Conference call, right click the link below and choose "Save Target As."

Audio recording (<http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-29b.mp3>) of OTS news conference July 11