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IndyMac Hopes to Move up Rankings

At a Glance

IndyMac's Growing Sales Force

2002 sales & marketing staff: 477

2003 sales & marketing staff: 848

Percent Change: 78%

Source: IndyMac

PASADENA, CA—IndyMac Bancorp got its start as an offshoot of Countrywide Home Loans, but these days the company's CEO is starting to sound like an ambitious sibling to the home loan giant down the block.

Michael Perry, chairman and CEO of IndyMac, said that his company, currently the 19th largest mortgage originator and 20th largest servicer in the country, plans to continue gobbling up market share. Last year, IndyMac produced $30 billion of home loans.

It is also the nation's 14th largest savings and loan.

"Clearly our goal is to become a top eight mortgage lender in the U.S. by 2008," he said during an investors conference sponsored by JMP Securities last week.

While that may not be as ambitious as Countrywide's drive to regain the top spot in home loan market share, clearly Mr. Perry's drive to pick up market share bears some resemblance to Angelo Mozilo's drive to lead Countrywide to the top of the pack.

Like Countrywide, Mr. Perry is expanding his sales force to gain market share. IndyMac also hopes to gain share by expanding its geographical presence and create niche mortgage lending businesses.

And also like Countrywide, IndyMac is working to "mitigate cyclicality" in the home loan business by diversifying. In IndyMac's case, that involves building an investment portfolio of mortgage-related assets that will continue to produce interest income even when loan origination volume declines.

To be a top-eight lender, Mr. Perry believes IndyMac would need to have a 3.5% share of the origination market, and he said the company is on a growth trajectory to achieve that goal. Moreover, he said IndyMac is well positioned to pick up market share when refinancing slows down and the home lending market becomes more "normalized," he said, citing the company's strength in the "alt-A" market, ability to adjust to an adjustable-rate lending environment, and focus on home purchase lending.

MIKE PERRY, CEO of IndyMac, says his goal is to be the eighth largest lender by 2008.

And he said the company's existing mortgage banking infrastructure can handle rapid growth.

"We have a tremendously scaleable platform with very low margin cost going forward," he said.

The ambitious goals mark the continuation of a turnaround for a company that ran into trouble, as did other producers of nonconforming mortgage loans, during the capital markets fiasco of 1998. IndyMac shed its REIT status in 2000, adopting a depository charter instead to diversify funding options, Mr. Perry said. Today, Federal Home Loan Bank advances and deposits account for the lion's share of its funding.

Today, IndyMac is a savings and loan that relies on a business strategy of combining mortgage banking expertise with investment portfolio capabilities. Mr. Perry says this "hybrid model" is designed to reward investors when rates rise and a more "normalized" home lending environment returns.

Mr. Perry said the company has no intention of returning to REIT status.

Mr. Perry said the company, which is now a thrift, plans to stick with its depository status.

Over the long haul, he said mortgage REIT performance is "mixed, and there is a lot of up and down."

"A REIT structure doesn't solve your funding issues," he said.