SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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INDYMAC MORTGAGE HOLDINGS INC

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 1998

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 1-8972

INDYMAC MORTGAGE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	95-3983415
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

155 North Lake Avenue, Pasadena, California	91101-7211
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (800) 669-2300

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X].

As of March 12, 1999 there were 79,104,392 shares of IndyMac Mortgage Holdings, Inc. Common Stock, $.01 par value, outstanding. Based on the closing price for shares of Common Stock on that date, the aggregate market value of Common Stock held by non-affiliates of the registrant was approximately $855,316,239. For the purposes of the foregoing calculation only, in addition to affiliated companies, all directors and executive officers of the registrant have been deemed affiliates.

DOCUMENTS INCORPORATED BY REFERENCE
Proxy Statement for the 1999 Annual Meeting---Part III

INDYMAC MORTGAGE HOLDINGS, INC.

1998 FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS/1/

General

IndyMac Mortgage Holdings, Inc. ("IndyMac REIT"), was incorporated in the State of Maryland on July 16, 1985 and reincorporated in the State of Delaware on March 6, 1987. References to "IndyMac REIT" mean either the parent company alone or the parent company and the entities consolidated for financial reporting purposes, while references to the "Company" mean the parent company, its consolidated subsidiaries and IndyMac, Inc. ("IndyMac Operating") and its subsidiaries, which are not consolidated with IndyMac REIT for financial reporting or tax purposes. All of the outstanding voting common stock and 1% of the economic interest of IndyMac Operating is owned by Countrywide Home Loans, Inc. ("CHL"), which is a subsidiary of Countrywide Credit Industries, Inc. ("CCR"). All of the outstanding non-voting preferred stock and 99% of the economic interest of IndyMac Operating is owned by IndyMac REIT. Accordingly, IndyMac Operating is accounted for under a method similar to the equity method because IndyMac REIT has the ability to exercise influence over the financial and operating policies of IndyMac Operating through its ownership of the preferred stock and other contracts. IndyMac REIT has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). As a result of this election, IndyMac REIT will not, with certain limited exceptions, be taxed at the corporate level on the net income distributed to IndyMac REIT's shareholders.

The Company conducts a diversified mortgage lending business, including the origination and purchase of and investment in conforming, non-conforming and jumbo residential loans, subprime loans, manufactured housing loans, home improvement loans, mortgage-backed securities and other mortgage-related assets. The Company conducts certain consumer lending activities, including its third party lending activities ("IndyMac TPL"), through IndyMac Operating, which is not a qualified REIT subsidiary of IndyMac REIT and which is subject to applicable federal and state income taxes. See "Certain Federal Income Tax Considerations." The Company's consumer lending operations also include (1) IndyMac Construction Lending Division ("IndyMac CLD"), which facilitates the purchase of a variety of residential construction, land and lot loans through

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IndyMac Operating's third party lending customers, (2) IndyMac Manufactured Housing Division ("IndyMac MHD"), which facilitates the direct origination or purchase of consumer loans and mortgage loans secured by manufactured housing, (3) IndyMac Home Improvement Division ("IndyMac HID"), which facilitates the direct origination or purchase of home improvement loans, (4) LoanWorks, which facilitates the direct origination of a variety of residential loans, and (5) LoanWorks Servicing, which performs servicing for mortgage loans acquired by the Company on a servicing-released basis or originated by the Company through LoanWorks. The Company also conducts commercial lending activities, which include (1) Construction Lending Corporation of America ("CLCA"), which offers a variety of construction, land and lot loan programs for builders and developers, and (2) Warehouse Lending Corporation of America ("WLCA"), which provides various types of short-term revolving financing to small-to-medium size mortgage originators and offers builder inventory lines of credit.

/1/ Except for the historical information contained in this Form 10-K, certain items herein, including without limitation, certain matters discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and 7A of this Form 10-K ("MD&A") are forward-looking statements which reflect the Company's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including those identified below, which could cause future results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates, and if no date is provided, then such statements speak only as of the date of this Form 10-K. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The following factors could cause future results to differ materially from historical results or those anticipated: (1) the level of demand for consumer loans, mortgage loans, construction loans and commercial term loans, which is affected by such external factors as the level of interest rates, the strength of various segments of the economy and demographics of the Company's lending markets; (2) the availability of funds from the Company's lenders and other sources of financing to support the Company's lending activities; (3) the direction of interest rates and the relationship between interest rates and the cost of funds; (4) federal and state regulation of the Company's consumer lending and commercial lending operations and federal regulation of the Company's real estate investment trust status; (5) the actions undertaken by both current and potential new competitors; and (6) other risks and uncertainties detailed in this Form 10-K, including the MD&A.

IndyMac Operating was established in 1993 as a nationwide, third-party lender and securitizer of residential prime and, to a lesser extent, subprime mortgage loans. Prior to 1993, IndyMac REIT was primarily a passive investor in single-family, first-lien, residential mortgage loans and mortgage-backed securities financed by collateralized mortgage obligations (the "CMO Portfolio").

Consumer Lending Operations

Third Party Lending

Operations. IndyMac TPL is comprised of conforming, non-conforming and jumbo mortgage and consumer loans. With respect to third party lending operations, the Company acts as an intermediary between (i) the third party originators of (x) mortgage loans that qualify for purchase by or inclusion in loan guarantee programs sponsored by the government and government sponsored entities ("GSEs") (i.e., Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac")) ("conforming mortgage loans") and (y) mortgage loans that do not qualify for purchase or inclusion in loan guarantee programs sponsored by the GSEs ("non-conforming mortgage loans"), and (ii) permanent investors in whole loans or mortgage-backed securities secured by or representing an ownership interest in such mortgage loans. The Company also originates conforming and non-conforming mortgage loans through its LoanWorks division. See "LoanWorks" below. All loans originated or purchased by IndyMac REIT for which a real estate mortgage investment conduit ("REMIC") transaction or whole loan sale is contemplated are committed for sale to IndyMac Operating at the same price at which the loans were acquired by IndyMac REIT, pursuant to the terms of the Master Forward Commitment and Services Agreement between IndyMac REIT and IndyMac Operating, which was originally entered into in 1993. The Company's third party lending operations consist of the purchase and securitization or whole loan sale of mortgage loans secured by first and subordinate liens on single (one-to-four units) family residential properties and manufactured homes that are originated in accordance with the Company's underwriting guidelines. The Company and its third party lending customers ("sellers") negotiate whether such sellers will retain, or the Company will purchase, the rights to service the mortgage loans delivered by such sellers to the Company. The Company, through LoanWorks Servicing, services those loans which it has purchased on a servicing-released basis and which it originates through LoanWorks. See

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"LoanWorks Servicing" below. The Company's principal sources of income from its third party lending operations are gains recognized on the sale of mortgage loans and securities, master and primary servicing revenue, and the net spread between interest earned on mortgage loans and the interest costs associated with the borrowings used to finance such loans pending their securitization or sale.

Marketing Strategy. IndyMac TPL operations are designed to attract both large and small sellers of mortgage and consumer loans by offering a variety of products, pricing, loan underwriting and funding methods designed to be responsive to such sellers' needs, although during 1998, the Company continued to focus on the smaller seller market where the Company believes purchase margins may be higher. In this regard, the Company continued its extensive table funding effort during 1998. Through this method of funding, the Company provides the funds for the closing of mortgage loans that are arranged by smaller sellers. Although the Company generally assumes more regulatory risk with respect to the mortgage loans funded in this manner, the Company has established controls which seek to ensure the loans comply with regulatory requirements and meet the Company's credit guidelines. During 1998, the Company also continued its focus on the smaller seller market through the development of its electronic mortgage information and transaction system. See "Risk-Based Pricing" below.

The Company expects to continue to introduce niche loan products from time to time, which may give the Company temporary competitive advantages. The Company's products include fixed-rate and adjustable-rate mortgage loans, loans to foreign nationals, reduced documentation loans, non-owner occupied loans, subprime credit quality loans and consumer and mortgage loans secured by manufactured housing and home improvement loans. In response to the perceived needs of non-conforming mortgage loan sellers, the Company's marketing strategy seeks to offer competitive pricing, response time efficiencies in the purchase process, direct and frequent contact through a trained sales force and flexible commitment programs. In addition, through IndyMac CLD, the Company offers combined construction-to-permanent mortgage loans, home improvement loans and residential lot loans.

The Company's third party lending sales and marketing staff, as well as certain of its operations areas, are established to pursue business on a servicing-released or servicing-retained basis and to market products effectively to mortgage bankers, mortgage brokers and other mortgage lenders of all sizes. However, the Company is continuing its focus on the smaller seller market, and beginning in the second half of 1998, the Company began to emphasize the purchase of loans on a servicing-released basis because the secondary market for these loans became stronger than the secondary market for servicing-retained loans. The third party lending sales force cross-sells products for all of the Company's business lines.

The Company has two principal underwriting methods designed to be responsive to the needs of mortgage loan sellers. Under the Company's first underwriting method, which is used by a majority of the Company's customers, sellers submit mortgage loans that are underwritten by the Company in accordance with its guidelines prior to purchase. The second method established by the Company is a delegated underwriting program which is similar in concept to the delegated underwriting programs established by Fannie Mae, Freddie Mac and GNMA. Under this program, mortgage loans are underwritten in accordance with the Company's guidelines by the seller and purchased, in reliance on the seller's representations and warranties, on the basis of the seller's financial strength, historical loan quality and other qualifications. Eligibility requirements for the delegated underwriting program vary based upon the net worth of a seller. The delegated underwriting program enables sellers to deliver loans to the Company without time delay imposed by the Company's underwriters. A sample of loans submitted by each seller pursuant to the delegated underwriting program is subsequently reviewed by the Company in accordance with its quality control guidelines. See "Quality Control" below. Because of the Company's increased focus on smaller net worth sellers, fewer customers are eligible for or utilizing the delegated underwriting programs.

Risk-Based Pricing. During 1998, the Company continued the development of its risk-based pricing systems to enable the Company to more accurately estimate expected credit loss and interest rate (or prepayment) risk so that the Company can acquire loans at prices that more accurately reflect these risks. Risk-based pricing is based on a number of borrower and loan characteristics, including, among other loan variables, credit score, occupancy, documentation type, purpose and loan-to-value ratio, and prepayment assumptions based on an analysis of interest rates.

Currently, the Company's primary use of risk-based pricing is through e-MITS/2/ (electronic Mortgage Information and Transaction System). The Company's e-MITS system is an automated loan submission, underwriting and risk-based pricing system that allows mortgage loan sellers to conduct business with the Company electronically via the Internet at the Company's "www.e-MITS.com" website. The e-MITS system provides sellers with the ability to obtain an underwriting decision and risk-based pricing, based in part on standard industry loan loss

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data, for any borrower or property. The e-MITS system also provides sellers a streamlined documentation process for certain qualified borrowers. During 1998, the Company funded approximately $600 million of prime and subprime loans through e-MITS.

The Company intends to continue to refine its risk-based pricing models as it captures more historical data, and also intends to incorporate risk-based pricing in all of its various lending operations to better enable the Company to acquire all loans at prices that more accurately reflect risk. However, because the Company's risk-based pricing models, including the risk-based pricing models utilized in e-MITS, are based on standard industry loan loss data supplemented by the Company's limited historical loan loss data and proprietary logic developed by the Company, and the models cannot predict the effect of financial market and other economic performance factors, there are no assurances that the Company's risk-based pricing models are a complete and accurate reflection of the risks associated with the Company's loan products.

Mortgage Loans Acquired. Substantially all of the mortgage loans purchased through the Company's third party lending operations are non-conforming mortgage loans. Currently, the maximum principal balance for a conforming loan is $240 thousand. Loans that exceed such maximum principal balance are referred to as "jumbo loans." The Company generally purchases jumbo loans with original principal balances of up to $3 million. The Company's loan purchase activities focus on those regions of the country where higher volumes of mortgage loans are originated, including California, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Nevada, New Jersey, New York, Oregon, Texas, Utah,

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/2/ Registered in U.S. Patent and Trademark office.

Washington and Washington, D.C. The Company's highest concentration of mortgage loans relates to properties in California because of the generally higher property values and mortgage loan balances prevalent there. Mortgage loans secured by California properties accounted for approximately 48% of the mortgage loans purchased by the Company in 1998.

Mortgage loans acquired by the Company are secured by primarily first liens on single (one-to-four) family residential properties and manufactured homes with either fixed or adjustable interest rates. Fixed-rate mortgage loans accounted for approximately 93% of the mortgage loans purchased by the Company in 1998 compared to 81% for 1997. The number of adjustable rate mortgage ("ARM") loans purchased by the Company has decreased from 19% of all mortgage loans purchased in 1997 to 7% of 1998 mortgage loan purchases.

Seller Eligibility Requirements. The mortgage loans acquired through the Company's third party lending operations are originated by various sellers, including savings and loan associations, banks, mortgage bankers, mortgage brokers and other mortgage lenders. Sellers are required to meet certain regulatory, financial, insurance and performance requirements established by the Company before they are eligible to participate in the Company's mortgage loan purchase programs and must submit to periodic reviews by the Company to ensure continued compliance with these requirements. The Company requires that sellers that perform mortgage loan servicing for the Company and participate in the Company's delegated underwriting program, have a minimum level of tangible net worth, be approved as a Fannie Mae or Freddie Mac seller/servicer in good standing, be approved as a U.S. Department of Housing and Urban Development ("HUD") approved mortgagee in good standing, or be a financial institution that is insured by the Federal Deposit Insurance Corporation ("FDIC") or comparable federal or state agency and is supervised and examined by a federal or state authority. In addition, sellers are required to have comprehensive loan origination quality control procedures. Sellers generally enter into an agreement that provides for recourse by the Company against such seller under various circumstances, including in the event of any material breach of a representation or warranty made by the seller with respect to mortgage loans sold to the Company, any fraud or misrepresentation during the mortgage loan origination or acquisition process or upon early payment default on such loans.

Servicing Retention. Certain sellers of mortgage loans to the Company have contracted with the Company to retain the rights to service the mortgage loans purchased by the Company, (See "LoanWorks Servicing" below for description of the Company's servicing operations). The servicer is required to perform these servicing functions pursuant to standards set forth in the Company's guidelines. The servicer receives fees generally ranging from 1/4% to 1/2% per annum on the declining unpaid principal balances of the loans serviced. If a seller/servicer breaches certain of its representations and warranties made to the Company, the Company may terminate the servicing rights of such seller/servicer and sell or assign such servicing rights to another servicer, including LoanWorks Servicing. Under certain circumstances not involving the servicers' default, servicers have the option to request the Company to purchase such servicing rights at a price based on a current market valuation. Through LoanWorks Servicing, the Company services those loans for which it has acquired the servicing rights. See "LoanWorks Servicing" below.

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Master Servicing. The Company acts as master servicer with respect to substantially all of the mortgage loans it sells pursuant to securitizations. Master servicing includes collecting loan payments from servicers of loans and remitting loan payments, less master servicing fees to trustees. In addition, as master servicer, the Company monitors the servicer's compliance with the Company's servicing guidelines and is required to perform, or to contract with a third party to perform, all obligations not adequately performed by any servicer. The master servicer may permit or require the servicer to contract with approved subservicers to perform some or all of the servicer's servicing duties, but the servicer is not thereby released from its servicing obligations.

In connection with REMIC securitizations, the Company master services on a non-recourse basis. Each series of mortgage-backed securities is typically fully payable from the mortgage assets underlying such series and the recourse of investors is generally limited to those assets and any credit enhancement features, such as insurance. As a general rule, any losses in excess of the accompanying credit enhancement obtained is borne by the security holders. Except in the case of a breach of the standard representations and warranties made by the Company when mortgage loans are securitized or sold, the securities or sales are non-recourse to the Company. In most cases, the Company has recourse to the

sellers of loans for any such breaches, although there can be no assurance that the seller will be able to honor its obligations.

Master Commitments. From time to time, the Company may establish mortgage loan purchase commitments ("Master Commitments") with sellers that, subject to certain conditions, entitle the seller to sell and the Company to purchase a specified dollar amount of mortgage loans over a period generally ranging from three months to one year. The terms of each Master Commitment specify whether a seller may sell loans to the Company on a mandatory or best efforts basis, or a combination thereof. Master Commitments do not obligate the Company to purchase loans at a specific price but rather provide the seller with a future outlet for the sale of its originated loans based on the Company's quoted prices at the time of rate lock, reduced by, with respect to certain loan products, a negotiated price break. Master Commitments specify the types of mortgage loans the seller is entitled to sell to the Company and generally range from $5 million to $500 million in aggregate committed principal amount. The Master Commitment also specifies whether the seller will retain or release to the Company the right to service delivered mortgage loans.

Bulk and Other Rate-Locks. The Company also acquires mortgage loans from sellers that are not purchased pursuant to Master Commitments. These purchases may be made on a bulk or individual rate-lock basis. Bulk rate-locks obligate the seller to sell and the Company to purchase a specific group of loans, generally ranging from $1 million to $50 million in aggregate committed principal amount, at set prices on specific dates. Bulk rate-locks enable the Company to acquire substantial quantities of loans on a more immediate basis. The specific pricing, delivery and program requirements of these purchases are determined by negotiation between the parties but are generally in accordance with the provisions of the Company's Seller Guide. Due to the active presence of investment banks and other substantial investors in this area, purchasing loans under bulk pricing is extremely competitive. Loans are also purchased from individual sellers (typically smaller originators of mortgage loans) that do not wish to sell loans pursuant to either a Master Commitment or bulk rate-lock. The terms of these individual purchases are based primarily on the Company's Seller Guide or the e-MITS User Guide and standard pricing provisions, and are offered on a mandatory or best efforts basis.

Following the issuance of specific rate-locks related to loans held for sale, IndyMac Operating is subject to the risk of interest rate fluctuations with respect to the contractual rate of interest on such loans, and will enter into hedging transactions to diminish such risk. See "Loan Sale and Securitization Process" below. The nature and quantity of hedging transactions will be determined by management based on various factors, including market conditions, cash flow considerations, the expected or contracted volume of mortgage loan purchases and the product types or coupon rates to be purchased. In addition, the Company will not engage in any financial futures transaction unless the Company would be exempt from the registration requirements of the Commodity Exchange Act or otherwise complies with the provisions thereof.

Purchase/Underwriting Guidelines. The Company has developed comprehensive purchase guidelines for its acquisition of loans. Subject to certain exceptions, each loan purchased must conform to the Company's loan eligibility requirements specified in the Company's Seller Guide or the e-MITS User Guide with respect to, among other things, loan amount, type of property, loan-to-value ratio, type and amount of insurance, credit history of the borrower, income ratios, sources of funds, appraisal and loan documentation. The Company also performs a legal documentation review prior to the purchase of any loan and where the seller is not authorized to participate in one of the Company's delegated programs, the Company performs a full credit review and analysis to ensure compliance with its loan eligibility requirements. Generally, the latter

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review includes, among other things, an analysis of the underlying property and associated appraisal and an examination of the credit, employment and income history of the borrower. For loans purchased pursuant to the Company's delegated underwriting program, the Company relies on the credit review performed by the seller and the Company's own follow-up quality control procedures. See discussion of the Company's underwriting methods under "Marketing Strategy" above. For loans purchased through e-MITS, the Company generally relies on e-MITS for all credit related analyses. See discussion of e-MITS under "Risk-Based Pricing" above.

Quality Control. Ongoing quality control reviews are conducted by the Company to ensure that the loans purchased meet the Company's quality standards. The type and extent of the quality control review is based primarily on the risk characteristics of the loans. Additionally, the Company will review a higher percentage of loans sold by sellers with higher overall loan delinquency levels. The Company conducts a full post-purchase underwriting review of the first twenty-five loans purchased during the first month of a seller's participation in the delegated underwriting program to monitor ongoing compliance with the Company's guidelines. A higher percentage of mortgage loans with certain specified characteristics are reviewed by the Company following purchase, including, among other characteristics, loans in excess of $650 thousand in principal amount, loans purchased from sellers with comparatively high delinquency rates, and all loans that are delinquent for 60 or more days. In performing a quality control review on a loan, the Company analyzes the underlying property and associated appraisal and examines the credit, employment and income history of the borrower. In addition, all documents submitted in connection with the loan, including all insurance policies, appraisals and credit records, and the closing statement, sales contract and escrow instructions are examined for compliance with the Company's underwriting guidelines. Furthermore, as a part of the standard fraud review conducted by the Company, the Company reverifies, on a sample basis, the employment, income and source of funds documentation of the borrower and obtains a new credit report. Independent appraisals are obtained as a part of the Company's quality control reviews as deemed appropriate.

Manufactured Housing Division

IndyMac MHD was established in December 1995 and consists of the origination, purchase, sale and servicing of loans to consumers who are purchasing or refinancing a new or used manufactured home. This division solicits business through the established manufactured housing retailer network, brokers, IndyMac MHD's direct-to-consumer LoanTown operations, and the Company's third party sellers. The Manufactured Housing Division's headquarters are located in San Diego, CA and it operates three regional offices in Atlanta, GA, Vancouver, WA and Carmel, IN. The division also operates one LoanTown office in Milwaukie, OR and plans to open an additional LoanTown office in Spokane, WA in the second quarter of 1999.

During the fourth quarter of 1998, the Company conducted a strategic review of its IndyMac MHD operations to determine whether it would continue such operations given the long-term capital and/or financing requirements for the business. The Company determined that with increased emphasis on niches such as land-home products and refinance products, implementation of risk-based pricing and continued efforts to obtain committed financing and less capital-intensive outlets for IndyMac MHD's products, the Company would continue such operations. However, there can be no assurance that cost effective committed financing or less capital-intensive outlets for these products will be available or that the other strategies will produce profitable results for the Company. In addition, while the Company faces competition in every one of its business lines, the manufactured housing business is particularly prone to competition risk because this industry is substantially dominated by two firms, which to date, have funded more than 40% of the production in this market.

Home Improvement Division

IndyMac HID, which began operations in May 1997, provides consumer financing products to home improvement dealers, specialty brokers, specialty correspondents and the Company's third party sellers. IndyMac HID offers both home improvement and home improvement with debt consolidation products that are secured by liens on improved residential real property. IndyMac HID's primary facility is located in Atlanta, GA. A second sales and origination location is maintained in Pasadena, CA.

Due to the nature of the home improvement loan business generally, the Company's IndyMac HID business involves a number of risks, including credit and regulatory risk. To mitigate certain of these risks, the Company has adopted a policy to discontinue the origination and purchase of high-rate, high fee loans/3/. However, the Company continues to hold previously purchased high-rate, high fee loans in its

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/3/ In general, a high-rate, high fee loan under The Home Ownership and Equity

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Protection Act of 1994 is a loan secured by the borrower's principal dwelling that is not a purchase loan, a reverse-mortgage loan, or an open-ended line of credit, where the rate on the loan is at least ten points higher than the yield on Treasury securities with a comparable maturity or where the total points and fees paid by the borrower exceed the greater of $441 or eight percent of the total loan amount.

portfolio. Additionally, the Company plans to develop a risk-based pricing system for the IndyMac HID business and is continuing to explore various financing alternatives for this business.

Construction Lending Division

IndyMac CLD provides financing and administers the related construction draws for the purchase of combined construction-to-permanent mortgage loans, home improvement loans, and residential lot loans. These loans are originated by or sourced through the Company's third party sellers. Under these programs, all loans are prior-approved and underwritten to the Company's standard guidelines for borrower qualifications, as well as other detailed criteria. Criteria for the permanent portion of the construction loans are similar to those applied by the Company to loans purchased through its third party lending operations. In general, the maximum construction-to-permanent mortgage loan size is $3 million.

The primary risks associated with IndyMac CLD's business include risks directly related to the construction effort, such as cost overruns, borrower credit risk and project completion risk and interest rate increase risk. The Company has addressed these risks by requiring a fully funded interest reserve, charging significant fees to extend the construction phase of the loan, and reserving the right to renegotiate the interest rate for the permanent phase of the loan if the borrower requests an extension for the construction phase of the loan. However, there can be no assurance that the foregoing factors will fully mitigate the risks associated with IndyMac CLD's business.

LoanWorks

LoanWorks, which offers a variety of residential mortgage loans directly to consumers, including conforming conventional mortgage loans, and prime and subprime non-conforming mortgage loans, began operations in January 1997. LoanWorks' operations are centralized in a telemarketing and processing center located in Irvine, CA and LoanWorks' primary marketing tools are media advertising in Southern California and internet advertising through its proprietary website "www.Loanworks.com" and relationships with other websites. Through its telemarketing operations, LoanWorks loan consultants counsel consumers with respect to the loan application process, process loan applications and render lending decisions, providing for a streamlined loan application process.

During 1998, LoanWorks began originating loans utilizing e-MITS and plans to continue to implement e-MITS throughout its origination operations. In addition to expanding its telemarketing and internet marketing efforts, LoanWorks also plans to expand into direct mail and affinity relationship marketing. The Company plans to continue its emphasis on LoanWorks' retail origination business. However, the Company's ability to continue to grow LoanWorks' retail origination business will depend on its ability to compete with larger, more well-known retail loan origination operations, the success of its various marketing efforts, including its internet marketing efforts, and the Company's ability to sell LoanWorks' originations through whole loan sales or REMIC securitizations through its third party lending business. See "Third Party Lending" above and "Loan Sale and Securitization Process" below. There can be no assurance that the Company's objectives relating to its retail loan origination efforts will be achieved.

LoanWorks Servicing

In March 1998, the Company acquired certain assets used in the servicing of residential mortgages from First of America Bank, N.A., a subsidiary of National City Corporation, for essentially the cost of the fixed assets. The acquisition added approximately 125 employees to the Company and two office locations, Kalamazoo, Michigan and Bloomington, Illinois. The latter office was closed in March 1999. This acquisition permits the Company to engage in the mortgage loan servicing business. Servicing mortgage loans includes collecting and remitting loan payments, responding to customers' inquiries, making advances when required, accounting for principal and interest, holding custodial (impound) funds for payment of property taxes and hazard insurance, making physical inspections of the mortgaged property, as necessary, counseling delinquent mortgagors, supervising foreclosures and property dispositions in the event of unremedied defaults and generally administering the loans. LoanWorks Servicing currently services approximately $10.5 billion of prime, subprime and home improvement mortgage loans.

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Loan Sale and Securitization Process

General. The Company primarily uses repurchase agreements, bank borrowings, unsecured debt and equity to finance the initial acquisition of mortgage loans from sellers. When a sufficient volume of loans with similar characteristics has been accumulated, generally $100 million to $500 million in principal amount, such loans are securitized through the issuance of mortgage-backed securities in the form of REMICs or CMOs or resold in bulk whole loan sales. The length of time between when the Company purchases a mortgage loan and when it sells or securitizes such mortgage loan generally ranges from ten to 90 days, depending on certain factors, the loan volume by product type, market fluctuations in the prices of mortgage-backed securities and variations in the securitization process. With respect to subprime, manufactured housing and home improvement loans, this holding period generally will be longer, due to an overall smaller market combined with the shorter period of time the Company has been operating these programs.

The Company is subject to various risks due to potential interest rate fluctuations during the period of time after the Company commits to purchase a mortgage loan at a pre-determined price until such mortgage loan is committed for sale. The Company has attempted to mitigate such risks through the implementation of hedging policies and procedures. In accordance with its hedging policies and procedures, the Company seeks to utilize financial instruments whose price sensitivity has historically had very close inverse correlation to the price sensitivity of the related mortgage loans as a result of changes in applicable interest rates. With respect to the Company's portfolio of jumbo and non-conforming fixed-rate loans, the financial instrument which has historically demonstrated close inverse correlation, and also trades in a relatively liquid and efficient manner, is a forward commitment to sell a Fannie Mae or Freddie Mac security of comparable maturity and weighted average interest rate. However, the Company's private-label mortgage securities typically trade at a discount (or "spread") compared to the corresponding Fannie Mae or Freddie Mac securities, due to the implied government guarantees of certain Fannie Mae or Freddie Mac obligations. Accordingly, while the Company's hedging strategy may mitigate the impact that changes in interest rates would have on the price of agency mortgage securities (and therefore to some extent on the price of the Company's private-label mortgage securities), such strategy does not protect the Company against the effects of a widening (as occurred during the fourth quarter of 1998) or narrowing in the pricing spread between agency mortgage securities and the Company's private-label mortgage securities. Therefore, any significant widening or narrowing of the spread commanded by agency mortgage securities compared to the Company's private-label mortgage securities could have a negative or positive effect on the financial performance of the Company, regardless of the efficiency of the Company's execution of its hedging strategy. (See "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations").

The Company's decision to form REMICs or CMOs or to sell whole loans in bulk is influenced by a variety of factors, including the price at which such securities or whole loans can be sold. The market disruptions of the fourth quarter of 1998 had a negative effect on the pricing the Company could obtain through loan securitizations, so the Company began to emphasize the sale of loans through whole loan sales. Depending on market conditions, this trend could continue. The Company has also begun to expand its issuance of Fannie Mae and Freddie Mac MBS securities that are backed by loans originated or purchased by the Company. In these transactions, the Company retains the related servicing rights.

REMIC transactions are generally accounted for as sales of the mortgage loans and may eliminate or minimize any long-term investment by the Company in such loans, depending on the extent to which the Company decides to retain an interest. REMIC securities typically consist of one or more classes of "regular interests" and a single class of "residual interest." The regular interests are tailored to the needs of investors and may be issued in multiple classes with varying maturities, average lives and interest rates. These regular interests are predominantly senior securities but, in conjunction with providing credit enhancement, may be subordinated to the rights of other regular interests. The residual interest represents the remainder of the cash flows from the loans over the amounts required to be distributed to the regular interests. As a result, in some cases the capital originally invested in the loans by the Company may be redeployed in the third party lending operations. Since 1993, the Company has been issuing its REMIC securities utilizing a shelf registration statement established by CWMBS, Inc., a wholly owned limited purpose finance subsidiary of CCR. Neither CWMBS, Inc. nor CCR derives any financial benefit from such issuances, other than recoupment of a portion of the allocable costs of establishing and maintaining the shelf registration. Beginning in 1998, the Company began issuing subprime mortgage REMIC securities utilizing a shelf registration statement established by IndyMac ABS, Inc., a wholly owned limited purpose finance subsidiary of IndyMac Operating. The Company intends to utilize the IndyMac ABS, Inc. shelf registration for the issuance of REMIC securities backed by subprime mortgage, manufactured housing and home improvement loans.

As an alternative to REMIC sales, the Company may issue CMOs to finance mortgage

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loans to maturity. For accounting and tax purposes, the mortgage loans financed through the issuance of CMOs are treated as assets of the Company, and the CMOs are treated as debt of the Company. The Company earns the net interest spread between the interest income on the mortgage loans and the interest and other expenses associated with the CMO financing. The net interest spread will be directly impacted by the levels of prepayment of the underlying mortgage loans and, to the extent CMO classes have variable rates of interest, may be affected by changes in short-term interest rates. The Company is required to retain a residual interest in its issued CMOs. The Company may issue CMOs from time to time based on the Company's current and future investment needs, market conditions and other factors. CMOs, however, do not offer the Company the structuring flexibility of REMICs and are expected to be a secondary method of financing the Company's mortgage loans.

Credit Enhancement. REMICs or CMOs created by the Company are structured so that, in general, substantially all of such securities are rated investment grade by at least one nationally recognized statistical rating agency. In contrast to mortgage-backed securities in which the principal and interest payments are guaranteed by the U.S. government or an agency thereof, securities created by the Company do not benefit from any such guarantee. The ratings for the Company's mortgage-backed securities are based on the perceived credit risk by the applicable rating agency of the underlying mortgage loans, the structure of the securities and the associated level of credit enhancement. Credit enhancement is designed to provide protection to one or more classes of security holders in the event of borrower defaults and to protect against other losses, including those associated with fraud or reductions in the principal balances or interest rates on loans as required by law or a bankruptcy court. The Company can utilize multiple forms of credit enhancement, including bond insurance guarantees, mortgage pool insurance, special hazard insurance, reserve funds, letters of credit, surety bonds and subordination of certain classes of interests to other classes, or any combination thereof.

In determining whether to provide credit enhancement through bond insurance, subordination or other credit enhancement methods, the Company will take into consideration the costs associated with each method. The Company principally provides credit enhancement through the issuance of mortgage-backed securities in senior/subordinated structures. The subordinated securities may be sold, retained by the Company and accumulated for sale in subsequent transactions, or retained as long term investments.

Retention of Mortgage-Backed Securities and Other Investments. In connection with the issuance of mortgage-backed or asset-backed securities in the form of REMICs, the Company may retain securities on a short-term or long-term basis. Any such retained interest may include "principal-only" or "interest-only" securities, residual securities, mortgage servicing rights, or other interest rate or prepayment-sensitive securities or investments. The Company has assumed a certain degree of credit risk and interest rate risk in relation to its portfolio of mortgage securities. See "Credit Risk" and "Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Effect of Interest Rate Changes" below.

The primary risk associated with interest-only securities and mortgage servicing rights is that they will lose a substantial portion of their value as a result of rapid prepayments occasioned by declining interest rates. It is also possible that under certain high prepayment scenarios, the Company would not recoup its initial investment in interest-only securities or mortgage servicing rights. Investments in interest-only securities and mortgage servicing rights have values which tend to move inversely to the values of the retained subordinated and principal-only securities as interest rates change. For example, as interest rates decline, prepayments would tend to increase and the value of the Company's mortgage servicing rights and interest-only securities would tend to decrease. By contrast, in a declining interest rate environment, the value of the Company's portfolio of subordinated securities and principal-only securities would tend to increase because the rise in prepayments would tend to accelerate return of the Company's investment in the principal portion of the underlying loans. The Company seeks to manage the effects of rising and falling interest rates through investing in financial instruments with contrasting sensitivities to interest rates; however, there can be no assurance that this strategy will succeed under any particular interest rate scenario. See "Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Effect of Interest Rate Changes".

Loans Held For Investment

In an effort to generate continuing earnings that are less dependent upon the Company's loan purchase volumes and securitization activities, the Company seeks to selectively invest in residential loans on a long-term basis. The Company finances the acquisition of such loans with its capital, borrowings under repurchase agreements and other credit facilities referred to under "Financing Sources" below. The Company has assumed a certain degree of credit risk in relation to its portfolio of loans held for investment. See "Credit Risk" below.

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Commercial Lending Operations

Construction Lending

The Company's construction lending group, CLCA, offers residential construction loan programs for builders and developers, and income property construction and term loan programs.

The baseline project for CLCA's residential construction loan program is a 15 to 100 unit subdivision, built in one to five phases, that will be marketed to entry level/first-time or trade-up buyers. In general, the maximum loan size per project is $15 million. The specific terms of any construction loan, including the principal amount thereof and the applicable interest rate and fees, are based upon, among other things, the location of the project, the value of the land and the financial strength, historical performance and other qualifications of the builder.

Under CLCA's income property loan program, the Company provides financing for the construction of multi-family, manufactured home community, anchored retail and light industrial properties, although other types of projects are financed from time to time. The Company also provides financing for the acquisition or refinance of multi-family properties. As of December 31, 1998, the average income property construction loan size was $5.5 million and the average income property multi-family term loan was $550 thousand. The specific terms of any income property loan, including the principal amount thereof and the applicable interest rate and fees, are based upon, among other things, the location of the project or the property, the value of the land and the financial strength, historical performance and other qualifications of the borrower.

During the fourth quarter 1998, CLCA's production exceeded the Company's committed construction lending financing, and, as a result, the Company was forced to discontinue CLCA's production temporarily during the fourth quarter 1998. The Company has secured additional financing for its subdivision construction lending business and resumed lending through CLCA in late January 1999. The Company is continuing to explore various financing alternatives for CLCA's business.

The primary risks associated with CLCA's operations are project risks and market risks. Project risks include cost overruns, borrower credit risk, project completion risk, general contractor credit risk, product liability for materials used in construction and environmental and other hazard risks. Market risks are risks associated with the sale of the completed residential units. They include interest rate risk, affordability risk, product design risk and risks posed by competing projects. CLCA attempts to mitigate some of these risks through the management and credit committee review process; however, there can be no assurance that this review process will fully mitigate the foregoing risks. In the Company's experience, absorption rates of new single family homes has been good in markets served by CLCA. However, it is unclear whether the economic cycle in certain geographical markets has peaked, which may have an impact on new loan generation or timely payoff of existing CLCA loans. The Company has implemented geographic concentration limits for CLCA, which should serve to mitigate some of the effects of a slowing in the economic cycles in some areas.

Warehouse Lending

The Company's warehouse lending group, WLCA, engages in secured warehouse lending operations for small-size and medium-size mortgage originators. WLCA also offers builder inventory lines of credit. The

Company's traditional warehouse lending facilities typically provide short-term revolving financing to mortgage companies to finance the origination of mortgage loans during the time between the closing of such loans and their sale to investors. Loans financed by WLCA through its traditional warehouse lending activities represent a broader line of mortgage products than those currently purchased by the Company. Presently all of such loan products purchased by the Company are eligible for financing by WLCA under the financing agreements used by WLCA to fund its operations.

Under its Traditional program, WLCA offers credit facilities up to a maximum amount of $20 million to otherwise qualified mortgage originators with a minimum audited tangible net worth of $100 thousand and subject to a maximum debt-to-net-worth ratio of 22 to 1. Under its Advantage Line programs, WLCA offers credit facilities up to a maximum amount of $2 million to otherwise qualified mortgage originators with no net worth requirement. Under its Builder Inventory program, WLCA offers lines of credit up to a maximum amount of $2 million to homebuilders that are current customers of CLCA to temporarily finance inventories of completed residential homes in subdivisions originally financed by CLCA. Under this program, builders generally must have a minimum tangible net worth of $5 million, with a maximum leverage ratio (total liabilities to tangible net worth) of 6 to 1. The specific terms of any

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warehouse line of credit, including the maximum credit limit, are determined based upon the financial strength, historical performance and other qualifications of the mortgage originator. All lines of credit under the Traditional program and the Builder Inventory program are subject to the prior approval of a credit committee comprised of senior officers of IndyMac REIT. All lines of credit under the Advantage Line programs are approved by WLCA's internal credit group. The Company finances these WLCA programs through a combination of repurchase agreements, equity and other borrowings.

One of the primary risks associated with WLCA's operations is the risk that a mortgage company borrower fails to sell a loan that is financed by a WLCA line of credit and is unable to otherwise remove the loan from the WLCA line of credit. Under these circumstances, WLCA would have the option to assume the loan from the mortgage company borrower and subsequently sell the loan; however, WLCA would also be assuming any credit risk associated with such loan up to its sale. To mitigate this risk, the contractual terms of all WLCA lines of credit provide for full recourse to the mortgage company borrowers for the outstanding balance under the lines of credit. Additionally, under the Traditional program, WLCA receives personal guarantees from the principals of each mortgage company borrower, and under the Advantage Line programs, each loan financed by a WLCA line of credit is prior approved by the ultimate investor before funds are advanced. Another risk associated with WLCA's operations is fraud risk, which includes the risk that a loan financed by a WLCA line of credit is fraudulently originated by the mortgage company borrower or is a sham transaction. To mitigate fraud risk, the Company requires that mortgage company borrowers carry fidelity insurance and only transfers funds to approved closing agents who are required to execute closing protection letters to ensure that the funds are not misdirected by the mortgage company borrower. However, there can be no assurances that these mitigating factors will adequately protect the Company against fraud risk.

In line with the Company's continued focus on the smaller seller market, the Company plans to expand its Advantage Line programs, which are targeted to smaller loan originators and do not have minimum net worth requirements. These smaller loan originators tend to have limited loan funding experience, at least initially, and require more extensive training and monitoring by WLCA personnel. Additionally, these smaller loan originators have fewer financial resources to remove unsalable loans from their WLCA lines of credit; however, as indicated above, this latter risk is substantially mitigated by the requirement that all Advantage Line loans be approved by the ultimate investor prior to funding. Notwithstanding WLCA's focus on smaller loan originator borrowers, there can be no assurance that WLCA's efforts in this regard will be successful.

Credit Risk

The Company has assumed a certain degree of credit risk in connection with its investments in certain mortgage securities and loans held for investment, as well as in connection with its third party lending, construction lending and warehouse lending operations. The Company evaluates and monitors its exposure to credit losses and has established an allowance for anticipated credit losses based upon estimated inherent losses on the loans, general economic conditions and trends in portfolio volume. The Company likewise has assumed a certain degree of credit risk in connection with its investment in non-investment grade securities. Such securities are recorded net of a discount which represents primarily the estimated credit losses associated with such securities as perceived by the market.

As of December 31, 1998, the Company had accumulated $51.3 million in the allowance for loan losses associated with the loans owned by both IndyMac REIT and IndyMac Operating. Net charge-offs on such loans from inception to date totaled $23.5 million, including $18.7 million on prime and subprime mortgage loans, $1.2 million on consumer and commercial construction, $1.4 million on home improvement loans, $2.0 million on manufactured home loans and $0.2 million on warehouse lines of credit. In addition, the Company suspends the accrual of income on loans 90 days or greater past due where full collectibility is in doubt.

The Company has invested in interest-only securities, principal-only securities, inverse-floater securities and other mortgage-backed securities, which include investment grade securities (i.e., rated BBB or higher) and non-investment grade securities (i.e., rated lower than BBB). As of December 31, 1998, investment grade securities comprised 92.6% of the Company's mortgage-backed securities portfolio. In general, non-investment grade securities bear all losses prior to the related investment grade securities and, therefore, the Company has credit risk with respect to the non-investment grade securities in its mortgage-backed securities portfolio. However, the Company's non-investment grade securities portfolio was recorded at a discount of $36.6 million to such securities' face value. This discount primarily reflects estimates of future expected credit losses on approximately $3.0 billion of single-family mortgage loans which underlie the non-investment grade securities.

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In addition to the creation of the allowance for loan losses, the Company has established risk management and/or credit committees to further manage the Company's exposure to credit losses in its various business operations. A central risk management committee reviews the prime, subprime and other products the Company offers through its IndyMac TPL and LoanWorks divisions, the authority limits of the Company's third party lending customers and personnel, and such customers' performance, and implements changes that seek to balance the Company's credit risk with the Company's production and profitability goals for its IndyMac TPL and LoanWorks divisions. The Company deploys a risk-based pricing approach in its IndyMac TPL and LoanWorks divisions in an effort to price products based in part on the credit risks associated with each product. Central risk management also oversees the risk management efforts of the Company's other divisions. Additionally, the Company's CLCA and WLCA divisions have established credit committees to review the terms of loans made by these divisions.

While management cannot offer any assurance as to the extent to which the Company will incur credit losses and any related effects on earnings, controls are in place in an effort to reduce exposure in this area. In addition, there is no assurance that discounts applied to non-investment grade securities or allowances or reserves for credit losses, will accurately reflect the actual credit losses incurred by the Company related to these investments.

Financing Sources

The Company uses proceeds from the sale of REMIC securities and CMOs, repurchase agreements, other borrowings and issuance of common stock and unsecured debt to meet its working capital needs. For further information on the material terms of the borrowings utilized by the Company to finance its inventory of mortgage loans and mortgage-backed securities, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources." The Company continues to investigate and pursue alternative and supplementary methods to finance its operations through the public and private capital and credit markets.

Federal Income Tax Considerations

IndyMac REIT has elected to be taxed as a REIT under the Internal Revenue Code and intends to continue to do so. IndyMac Operating is not a qualified REIT subsidiary and is not consolidated with IndyMac REIT for either tax or financial reporting purposes. Consequently, IndyMac Operating's earnings are subject to applicable federal and state income taxes. IndyMac REIT will include in taxable income amounts earned by IndyMac Operating only when IndyMac Operating remits its after-tax earnings by dividend to IndyMac REIT.

In 1998, the Clinton Administration announced Fiscal Year 1999 Budget Proposals that would have affected REIT's non-voting stock subsidiaries, which were never included in the 1999 budget legislation. On February 1, 1999, the Clinton Administraion again announced a budget proposal for the Fiscal Year 2000 budget that addressed REIT's non-voting stock subsidiaries, which the Company believes is more favorable than the 1999 budget proposal. Because this proposal is unclear in a few key areas, it could impact the Company's structure positively or negatively, depending upon the ultimate text of the proposal. No prediction can be made as to whether such a proposal will be introduced as a bill, or, if it were so introduced, whether it would be enacted.

IndyMac REIT's election to be treated as a REIT will be terminated automatically if IndyMac REIT fails to meet the requirements of the REIT provisions of the Code. Qualification as a REIT requires that IndyMac REIT satisfy a variety of tests relating to its income, assets, distribution, administration and ownership. Although IndyMac REIT believes it has operated and intends to continue to operate in such a manner as to qualify as a REIT, no assurance can be given that IndyMac REIT will in fact continue to so qualify. If IndyMac REIT fails to qualify as a REIT in any taxable year, it would be subject to federal corporate income tax (including any alternative minimum tax) on its taxable income at regular corporate rates, and distributions to its shareholders would not be deductible by IndyMac REIT. In that event, IndyMac REIT would not be eligible again to elect REIT status until the fifth taxable year which begins after the year for which IndyMac REIT's election was terminated unless certain relief provisions apply. IndyMac REIT may also voluntarily revoke its election, although it has no present intention of doing so, in which event IndyMac REIT would be prohibited, without exception, from electing REIT status for the year to which the revocation relates and the following four taxable years.

Distributions to shareholders of IndyMac REIT with respect to any year in which IndyMac REIT fails to qualify would not be deductible by IndyMac REIT nor would they be required to be made to such shareholders. In such event, to the extent of current and accumulated earnings and profits, any distributions to shareholders would be taxable as ordinary income and, subject to certain

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limitations in the Code, eligible for the dividends-received deduction for corporations. Failure to qualify as a REIT would reduce the amount of IndyMac REIT's after-tax earnings available for distribution to shareholders and could result in IndyMac REIT's incurring substantial indebtedness (to the extent borrowings are feasible), or disposing of substantial investments, in order to pay the resulting taxes or, at the discretion of IndyMac REIT, to maintain the level of IndyMac REIT's distributions to its shareholders.

Excess Inclusion Income. A portion of IndyMac REIT's assets may be in the form of CMO residual interests. Part or all of the income derived by IndyMac REIT from a residual interest of a CMO issued or invested in by IndyMac REIT after December 31, 1991, may be "excess inclusion" income, as defined in the Code. Such excess inclusion income generally is subject to federal income tax in all events. If IndyMac REIT pays any dividends to its shareholders that are attributable to excess inclusion income, the shareholders who receive such dividends generally will be subject to the same tax consequences that

would apply if they derived excess inclusion income from a direct investment in a REMIC residual interest. Excess inclusion income allocable to a shareholder may not be offset by current deductions or net operating losses otherwise allowable as deductions to such shareholder. Moreover, such excess inclusion income constitutes unrelated business taxable income for tax-exempt entities (including employee benefit plans). In addition, IndyMac REIT would be subject to tax on the portion of excess inclusion income that would be allocable to a "disqualified organization" holding IndyMac REIT shares. IndyMac REIT's bylaws provide that disqualified organizations are ineligible to hold IndyMac REIT shares. Of the 1998 dividends paid by IndyMac REIT, less than one half of 1% were attributable to excess inclusion income.

Competition

In its third party lending operations, the Company competes with established third party lending programs, investment banking firms, banks, savings and loan associations, GSEs, mortgage bankers and other lenders and entities purchasing mortgage assets. Mortgage-backed securities issued through the Company's third party lending operations face competition from other investment opportunities available to prospective investors.

The GSEs have made and will continue to make significant technological and economic advances to broaden their customer bases. There has been much debate and discussion in Congress and in the news media as to the proper role of these agencies. If the GSEs contract or expand, there may be a positive or negative impact on the Company's third party lending operations. The Company seeks to address these competitive pressures by making a strong effort to maximize its use of technology, by diversifying into other lines of business that are less impacted by GSEs and by operating in a more cost-effective manner compared to its competitors, but there can be no assurance that these efforts will succeed.

Effective January 1, 1998, Fannie Mae and Freddie Mac are not permitted to purchase mortgage loans with original principal balances above $240 thousand. This dollar limitation has increased twice during the past two years. If this dollar limitation continues to increase, Fannie Mae and Freddie Mac may be able to purchase a greater percentage of the loans in the secondary market than they currently acquire, and the Company's ability to maintain or increase its current loan acquisition levels could be adversely affected.

WLCA, CLCA and IndyMac CLD face competition from banks and other financial institutions. Many of these institutions have significantly greater financial resources and a lower cost of funds than the Company. The Company seeks to compete with these institutions through an emphasis on quality of service and diversified products.

IndyMac MHD's primary competition is from banks and other financial institutions, independent finance companies and captive manufactured housing finance companies. IndyMac HID's primary competition is from diversified mortgage banking companies, banks and other financial institutions, credit card companies, financial services affiliates of dealers and independent financial services companies. LoanWorks' and LoanWorks Servicing's primary competition is from banks and other financial institutions and mortgage companies. The Company seeks to compete with these various finance and mortgage companies and financial institutions through an emphasis on quality of service, diversified products and maximum use of technology.

Relationships with Countrywide Entities

IndyMac REIT and CCR are each publicly traded companies whose shares of common stock are listed on the New York Stock Exchange. CCR directly or indirectly owns approximately 5.8% of the common stock of IndyMac REIT. CHL, a wholly owned subsidiary of CCR, owns all of the outstanding voting common stock and 1% of the

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economic interest of IndyMac Operating. In addition, two directors and officers of IndyMac REIT and two directors of IndyMac Operating also serve as directors and/or officers of CCR and/or CHL. See "Part III, Item 13. Certain Relationships and Related Transactions." IndyMac REIT owns all of the outstanding non-voting preferred stock and a 99% economic interest in IndyMac Operating. Prior to July 1, 1997, Countrywide Asset Management Corporation, a wholly owned subsidiary of CCR ("CAMC"), managed IndyMac REIT.

On July 1, 1997, IndyMac REIT and CCR completed a transaction whereby IndyMac REIT acquired all of the outstanding stock of its manager, CAMC, from CCR in exchange for 3,440,860 new shares of common stock of IndyMac REIT. The transaction was approved in January 1997 by a special committee consisting of the independent directors of IndyMac REIT, by the full Board of Directors of IndyMac REIT, and by the full Board of Directors of CCR. The transaction was then approved by the IndyMac REIT shareholders at their Annual Meeting held on June 24, 1997. Following consummation of the transaction, CAMC was merged into IndyMac REIT ("Merger"), and IndyMac REIT became self-managed. See "Part III, Item 13. Certain Relationships and Related Transactions."

Employees

Beginning on July 1, 1997 in connection with the Merger, the former employees of CAMC that conducted the operations of the Company became employees of either IndyMac REIT or IndyMac Operating. As of December 31, 1998, IndyMac REIT had 206 employees and IndyMac Operating had 866 employees.

ITEM 2. PROPERTIES

The primary executive and administrative offices of the Company and its subsidiaries are located at 155 North Lake Avenue, Pasadena, California, and consist of approximately 140,000 square feet. The principal lease relating to such space expires in 2010. IndyMac Operating also maintains 7,500 square feet of office space in Mount Laurel, NJ, and the primary lease associated with this space expires in 2002. IndyMac MHD occupies space located in San Diego, CA, as well as Atlanta, GA, Vancouver, WA, Milwaukie, OR, and Carmel, IN. These locations consist of approximately 38,160 square feet, and the primary lease, located in San Diego, CA, expires in 2001. IndyMac MHD closed its Raleigh, NC and Houston, TX offices during 1998, consisting of approximately 8,500 square feet. IndyMac HID occupies space in Atlanta, GA, consisting of approximately 10,340 square feet. IndyMac HID closed its Houston, TX office in February 1999, consisting of approximately 6,000 square feet. The principal lease relating to such space expires in 1999. LoanWorks occupies space in Irvine, CA, consisting of approximately 46,000 square feet. The principal lease related to such space expires in 2004. LoanWorks Servicing occupies space in Kalamazoo, MI, consisting of 29,000 square feet. The principal lease related to such space expires in 2003. LoanWorks Servicing closed its Bloomington, IL office in March 1999, consisting of approximately 4,000 square feet.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR INDYMAC REIT'S STOCK AND RELATED SECURITY HOLDER MATTERS

IndyMac Mortgage Holdings, Inc.'s ("IndyMac REIT") common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "NDE."

The following table sets forth the high and low sales prices (as reported by Bloomberg Financial Service) for common stock for the years ended December 31, 1998 and 1997 and cash dividends declared for earnings of the period as indicated.

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	1998		1997		Dividends Declared	
	High ($)	Low ($)	High ($)	Low ($)	1998	1997
First Quarter	27 3/16	23	23 5/8	19 3/8	0.50	0.42
Second Quarter	26 1/8	21 1/2	24	19 3/8	0.53	0.43
Third Quarter	24	17 3/8	25 1/2	22 7/16	0.38	0.46
Fourth Quarter	20 1/4	7 3/8	26 1/8	21	0.38	0.48

As of March 12, 1999, 79,104,392 shares of IndyMac REIT's common stock were held by 4,545 shareholders of record.

Pursuant to IndyMac REIT's Dividend Reinvestment and Stock Purchase Plan ("DRIP"), shareholders can reinvest their cash dividends in additional shares of IndyMac REIT's common stock at 99 percent (subject to change) of the average high and low market prices on the investment date, as defined in the DRIP.

Shareholders may also purchase additional shares of IndyMac REIT's common stock through the cash investment option of the DRIP at the average high and low market prices for the 12 days preceding the investment date, as defined in the DRIP.

Investors not yet participating in the DRIP, as well as brokers and custodians who hold IndyMac REIT common stock for clients, can get a Prospectus relating to the DRIP by contacting IndyMac REIT's transfer agent as follows: The Bank of New York, Dividend Reinvestment Department, P.O. Box 1958, Newark, NJ 07101, telephone (800) 524-4458.

ITEM 6. SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data)

	Years Ended December 31,				
	1998	1997	1996	1995	1994
Operating Results for the Year					
Interest income	$ 528,825	$ 360,901	$ 242,303	$ 180,465	$ 92,119
Interest expense	355,359	242,372	159,365	131,910	66,700
Net interest income	173,466	118,529	82,938	48,555	25,419
Provision for loan losses	35,892	18,622	12,991	4,037	500
Equity in earnings (loss) of IndyMac Operating	(58,232)	18,414	19,533	13,801	5,624
Net gain (loss) on mortgage loans and securities	(19,088)	997	(906)	(591)	-
Other income	2,822	7,318	3,376	2,018	885
Net revenues	63,076	126,636	91,950	59,746	31,428
Salaries, general and administrative	29,286	21,935	14,202	4,213	2,402
Management fees to affiliate	-	4,406	8,761	5,522	1,195
Non-recurring charges	-	76,000	-	-	-
Total expenses	29,286	102,341	22,963	9,735	3,597
Net earnings	$ 33,790	$ 24,295	$ 68,987	$ 50,011	$ 27,831
Per Share Data					
Basic	$ 0.48	$ 0.43	$ 1.51	$ 1.25	$ 0.86
Diluted	0.48	0.43	1.50	1.25	0.86
Dividends declared per share	$ 1.79	$ 1.79	$ 1.52	$ 1.25	$ 0.87
Book value per share at December 31	10.85	11.11	9.53	8.55	7.99
Average Common Shares					
Basic	69,983	56,125	45,644	39,903	32,184
Diluted	70,093	56,454	45,806	39,941	32,327
Shares Outstanding at December 31	75,794	63,352	50,200	42,414	32,281
Balance Sheet Data at December 31					
Loans held for sale, net	$1,555,656	$1,458,271	$ 657,208	$ 409,584	$ 608,240
Loans held for investment, net	668,523	1,831,047	1,236,713	1,424,583	899,672
Other loans, net	1,891,149	1,459,264	711,578	320,028	75,961
Mortgage securities	235,032	558,445	231,780	124,975	121,441

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Collateral for Collateralized Mortgage Obligations	162,726	245,474	289,054	184,111	233,690
Total assets	4,851,152	5,849,110	3,356,059	2,643,360	1,999,541
Short-term borrowings	3,785,549	4,826,656	2,531,509	2,037,834	1,534,189
Collateralized mortgage obligations	140,810	221,154	264,080	164,760	202,259
Senior unsecured notes	60,031	59,888	59,759	59,649	-
Shareholders' equity	822,103	703,894	478,424	362,731	257,917

</TABLE>

See "Management's Discussion and Analysis of Financial Condition - General" for a discussion of IndyMac REIT's acquisition of its manager, and see Note A to the Consolidated Financial Statements of both IndyMac REIT and IndyMac Operating for a discussion of recent accounting pronouncements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

IndyMac Mortgage Holdings, Inc. ("IndyMac REIT"), was incorporated in the state of Maryland in July 1985 and reincorporated in the state of Delaware in March 1987. References to "IndyMac REIT" mean either the parent company alone or the parent company and the entities consolidated for financial reporting purposes, while references to the "Company" mean the parent company, its consolidated subsidiaries and IndyMac REIT's affiliate, IndyMac, Inc. ("IndyMac Operating") and its consolidated subsidiaries, which are not consolidated with IndyMac REIT for financial reporting or tax purposes.

In its third party lending business, the Company acts as an intermediary between the originators of mortgage loans and permanent investors in mortgage-backed securities ("MBS") secured by or representing an ownership interest in such mortgage loans. The Company purchases "conforming", "jumbo" and other "non-conforming" mortgage loans from mortgage originators, and also purchases to a much lesser extent subprime mortgage loans (i.e., "A- through D paper" mortgages). The Company and its sellers negotiate whether such sellers will retain, or the Company will purchase, the rights to service the mortgage loans delivered by such sellers to the Company. All loans purchased by IndyMac REIT, for which a real estate mortgage investment conduit ("REMIC") transaction or whole loan sale is contemplated, are committed for sale to IndyMac Operating at the same price at which the loans were acquired by IndyMac REIT pursuant to a Master Forward Commitment and Services Agreement. At present, IndyMac Operating does not purchase any loans from entities other than IndyMac REIT. Additionally, the Company's third party lending operations include the purchase or origination, securitization and sale of consumer or mortgage loans for manufactured housing and home improvements.

The Company's principal sources of income from its third party lending operations are gains recognized on the sale or securitization of mortgage and consumer loans, the net spread between interest earned on mortgage and consumer loans and the interest costs associated with the borrowings used to finance such loans pending their sale or securitization, and primary and master servicing fee income.

In addition to its third party lending operations, the Company earns net interest income and fee income through its construction, manufactured housing, home improvement and warehouse lending operations, as well as net interest income on its investment portfolio of mortgage and manufactured housing loans and mortgage securities. Construction Lending Corporation of America ("CLCA") provides builder custom home, model home, construction-to-permanent, lot loan, income property financing, acquisition, development and construction, on a nationwide basis to builders and developers, while IndyMac Construction Lending Division ("IndyMac CLD") facilitates the purchase of a variety of residential construction, land and lot loans through third party customers. IndyMac Manufactured Housing Division ("IndyMac MHD") consists of the origination, purchase, sale and servicing of loans to consumers who are purchasing or refinancing a new or used manufactured home. IndyMac Home Improvement Division ("IndyMac HID") consists of the origination, purchase, sale and servicing of consumer home improvement and debt consolidation services by liens on improved real estate. LoanWorks, the Company's consumer direct lending division, originates a variety of residential loans, and LoanWorks Servicing performs servicing for mortgage loans acquired by the Company on a servicing-released basis or originated by the Company through LoanWorks. Warehouse Lending Corporation of America ("WLCA"), provides financing to small-to-medium-size mortgage originators for the origination and sale of mortgage loans and to small-to-medium-size builders to finance remaining inventory after a construction loan from CLCA has been repaid.

From its incorporation in 1985 until June 30, 1997, the Company was managed by Countrywide Asset Management Corporation ("CAMC"), a wholly owned subsidiary of Countrywide Credit Industries, Inc. ("CCR"). On July 1, 1997, IndyMac REIT and CCR completed a transaction whereby IndyMac REIT acquired all of the outstanding

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stock of CAMC from CCR in exchange for 3,440,860 new shares of common stock of IndyMac REIT. The transaction was approved in January 1997 by a Special Committee consisting of the independent directors of IndyMac REIT, by the full Board of Directors of IndyMac REIT, and by the full Board of Directors of CCR. The transaction was then approved by IndyMac REIT's shareholders at their Annual Meeting held on June 24, 1997. Following consummation of the transaction, CAMC was merged into IndyMac REIT, and IndyMac REIT became self-managed.

IndyMac REIT accounted for this merger as the settlement of a management contract for book purposes, which resulted in a non-recurring charge for IndyMac REIT of $76.0 million during the third quarter of 1997. This charge did not materially affect total shareholders' equity as $72.0 million represents a reduction in retained earnings offset by a corresponding increase in common stock and additional paid-in-capital. For tax purposes, the transaction represents a tax-free exchange of shares with CCR, and the transaction did not have a material effect on IndyMac REIT's taxable income. Accordingly, the amount of the dividend and the tax status of IndyMac REIT's dividends were not materially affected by the charge since the charge was taken for book purposes only, not for tax purposes. For the year ended December 31, 1997, IndyMac REIT had net earnings, prior to inclusion of the non-recurring charge, of $100.3 million, and basic and diluted earnings per share of $1.79 and $1.77, respectively.

As a result of implementing Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information", ("SFAS 131"), IndyMac REIT defined three reportable operating segments. The first segment is the Mortgage Banking segment which includes third party lending operations, LoanWorks, IndyMac MHD, and IndyMac HID operations. The second segment is the Investment segment which includes loans held for investment and mortgage securities. The third segment is the Lending segment which includes construction lending operations and warehouse lines of credit operations.

FINANCIAL CONDITION

Overview of Third Party Lending Operations: During 1998, IndyMac REIT purchased $11.8 billion of non-conforming mortgage loans, including $972.0 million of subprime mortgage loans, an increase of $5.8 billion from the $6.0 billion in non-conforming mortgage loans purchased during 1997. In addition, the Company purchased $433.7 million of manufactured housing loans and $220.4 million of home improvement loans, compared to $320.0 million and $82.0 million, respectively, during 1997. These loans were financed on an interim basis using equity and short-term financing in the form of repurchase agreements and other credit facilities. In general, the Company, through IndyMac Operating, sells the loans in the form of REMIC securities or whole loan sales or, alternatively, IndyMac REIT invests in the loans on a long-term basis using financing provided by Collateralized Mortgage Obligations ("CMOs") or repurchase agreements and other credit facilities. During 1998, IndyMac Operating sold $9.3 billion of mortgage loans through the issuance of eighteen series of multiple-class MBS in the form of REMIC securities and sold $2.4 billion of mortgage loans in the form of whole loan sales transactions. During 1997, IndyMac Operating sold $3.4 billion of mortgage loans through the issuance of thirteen series of multiple-class MBS in the form of REMIC securities and sold $755.0 million of mortgage loans in the form of whole loan sales. At December 31, 1998, the Company was committed to purchase $498.0 million of mortgage loans from various mortgage originators.

IndyMac Operating's master servicing portfolio at year-end had an aggregate outstanding principal balance of $17.0 billion with a weighted average coupon of 8.3%, while LoanWorks Servicing's portfolio at year-end was $10.5 billion with the same weighted average coupon of 8.3%. Non-performing loans held for sale were 1.6% of principal at December 31, 1998 compared with 1.0% at December 31, 1997. Non-performing loans are defined as loans delinquent ninety days or more.

Loans Held For Investment, Net: The $668.5 million portfolio of loans held for investment, net at December 31, 1998 consisted of $228.5 million of varying types of adjustable-rate products which contractually reprice in monthly, semi-annual or annual periods; $211.9 million of loans which have a fixed rate for a period of three, five, seven or ten years and subsequently convert to adjustable-rate mortgage loans that reprice annually and $228.1 million of fixed-rate loans. The weighted average coupon of the mortgage loans held for investment, net at December 31, 1998 was 8.4%. The average balance of residential loans held for investment, net was $1.4 billion for the year ended December 31, 1998, a decrease of $208.2 million from the average balance of $1.6 billion for the year ended December 31, 1997. The Company finances loans held for investment with repurchase agreements and other credit facilities which reprice from overnight to one month. The allowance for loan losses related to loans held for investment totaled $21.2 million at year-end. Charge-offs related to loans held for investment totaled $10.5 million for the year ended December 31, 1998. Non-performing loans held for investment were 5.3% of principal at December 31, 1998 compared with 2.4% at December 31, 1997. The increase in non-performing loans in 1998 over 1997 is primarily due to the following factors:

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- prepayments of higher credit quality loans increased more than prepayments of lower credit quality loans as a result of the more favorable interest rate environment during 1998;
- the Company's lower liquidity levels during the fourth quarter of 1998, see "Liquidity and Capital Resources", and the low demand for adjustable rate mortgage loans resulted in lower loan purchase and origination volumes;
- To raise liquidity during the fourth quarter of 1998, the Company sold a substantial number of the more marketable loans held in this portfolio.

In response to the fourth quarter 1998 market disruption, the Company was informally advised by its lenders, particularly investment banks and repurchase lenders, that restrictions would be imposed on the amounts, terms and operating conditions under which uncommitted advances would be made. In response to these conditions, the Company reduced its assets and borrowing requirements under uncommitted lines of credit and sold to third parties through IndyMac Operating $443.6 million of whole loans from its held for investment portfolio thereby increasing liquidity. Loans are classified as held for investment based upon management's intent and ability to hold such loans for the foreseeable future.

Construction Lending Operations: At December 31, 1998, CLCA had commitments to fund construction loans of $1.9 billion, with outstanding balances of $731.0 million, net of allowance loan for losses compared to commitments to fund construction loans of $1.3 billion and an outstanding balance of $603.8 million, net of allowance for loan losses at December 31, 1997. The allowance for loan losses related to CLCA loans totaled $12.1 million at December 31, 1998, and charge-offs totaled $887 thousand related to CLCA loans for the year ended December 31, 1998. Non-performing loans were 1.0% of principal at both December 31, 1998 and 1997, respectively.

At December 31, 1998, IndyMac CLD had commitments to fund construction-to-permanent, lot loans and home improvement loans of $797.7 million with an outstanding balance of $508.7 million, net of allowance for loan losses compared with commitments to fund construction-to-permanent and home improvement loans of $603.7 million and an outstanding balance of $343.0 million, net of allowance for loan losses at December 31, 1997. The allowance for loan losses related to IndyMac CLD loans totaled $2.4 million at December 31, 1998, and there were $253 thousand of charge-offs for the year ended December 31, 1998. Non-performing loans for IndyMac CLD were 2.7% and 1.0% of principal, at December 31, 1998 and 1997, respectively. The increase in non-performing is primarily due to the transfer of the servicing for these loans to a new servicing platform during the fourth quarter 1998.

At December 31, 1998, CLCA's income property division had an outstanding balance of $53.6 million on commercial term loans, net of allowance for loan losses and $125.2 million on commercial construction loans, net of allowance for loan losses. The allowance for loan losses related to CLCA's income property loans totaled $411 thousand, and there were no charge-offs for the year ended December 31, 1998. Similarly, there were no non-performing loans for CLCA's income property portfolio for the year ended December 31, 1998.

Warehouse Lending Operations: At December 31, 1998, IndyMac REIT had extended commitments to make warehouse and related lines of credit in an aggregate amount of $1.1 billion, of which $443.9 million was outstanding, net of allowance for loan losses. The average principal balance outstanding of warehouse lines of credit was $487.0 million during the year ended December 31, 1998, an increase of $214.7 million from December 31, 1997. The allowance for loan losses related to warehouse lines of credit totaled $2.9 million at December 31, 1998. There were $200 thousand of charge-offs against such allowance during the year ended December 31, 1998. At December 31, 1998, 2.2% of warehouse lines were non-performing compared to no non-performing warehouse lines of credit at December 31, 1997. This increase in non-performing is primarily due to the effect of the fourth quarter 1998 market disruptions on WLCA's customers.

RESULTS OF OPERATIONS 1998 COMPARED TO 1997

Net Earnings: IndyMac REIT's net earnings for 1998 were $33.8 million, or $0.48 basic and diluted earnings per share, based on 69,982,709 and 70,092,019 weighted average shares outstanding for 1998, respectively, compared to $24.3 million, or $0.43 basic and diluted earnings per share, based on 56,124,537 and 56,453,634 weighted average shares outstanding for 1997, respectively. Comparing IndyMac REIT's 1998 net earnings of $33.8 million to 1997 net earnings of $100.3 million before the non-recurring charge related to IndyMac REIT's acquisition of CAMC, net earnings declined $66.5 million. The decline in net earnings is due to the decrease of $76.6 million from equity in the earnings of IndyMac Operating, an increase of $17.3 million in the provision for loan losses, an increase of $22.2 million related to net gain (loss) on mortgage loans and securities and loss on sale of assets, a decrease in other income of

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$2.3 million, and an increase of $7.4 million related to salaries and general and administrative expenses. Offsetting these negative changes were increases in net interest income of $54.9 million and a reduction in management fees of $4.4 million as a result of the merger of CAMC into IndyMac REIT.

Interest Income: Total interest income was $528.8 million for 1998 and $360.9 million for 1997. The increase in interest income of $167.9 million was primarily the result of increases in interest earnings on the following: mortgage loans held for sale of $97.5 million, construction builder and consumer loans of $45.8 million, income property loans of $8.8 million, revolving warehouse lines of credit of $19.7 million, mortgage securities of $17.0 million, advances to IndyMac Operating of $7.3 million and other income of $0.6 million, offset by decreases in loans held for investment of $23.3 million and collateral for CMOs of $5.5 million.

Interest income on prime and subprime mortgage loans held for sale totaled $142.8 million and $68.9 million, resulting in effective yields of 8.0% and 8.5%, respectively, for the years ended December 31, 1998 and 1997. The average principal balance of such loans increased to $1.8 billion for the year ended December 31, 1998, from $806.9 million for the year ended December 31, 1997.

Interest income on manufactured housing loans held for sale totaled $16.2 million and $9.2 million, with interest earned at effective yields of 9.4% and 9.7%, for the years ended December 31, 1998 and 1997, respectively. The average principal balance of such loans increased by $77.5 million to $172.0 million during 1998, from $94.5 million for 1997.

Interest income on home improvement loans held for sale totaled $18.3 million and $1.7 million, with interest earned at effective yields of 10.9% and 9.3%, respectively, for the years ended December 31, 1998 and 1997. The average principal balance increased $150.2 million to $168.9 million for the year ended December 31, 1998. The increase in 1998 is partly attributable to a full year of operations, IndyMac HID having commenced operations in the middle of 1997.

Interest income on mortgage loans held for investment totaled $101.9 million during 1998 compared to $125.2 million during 1997. The decrease from 1997 was the result of a decrease in the average amount of loans held for investment during the year of $208.2 million combined with a decrease in the average effective yield. The average principal balance of mortgage loans held for investment was $1.4 billion during 1998 with interest earned at an effective yield of 7.3%, compared to the average principal balance of mortgage loans held for investment during 1997 of $1.6 billion with interest earned at an effective yield of 7.6%.

Interest income on manufactured housing loans held for investment totaled $2.2 million and $2.7 million, with interest earned at effective yields of 7.6% and 8.6% for the years ended December 31, 1998 and 1997, respectively. The average principal balance of such loans increased by $3.4 million to $29.0 million during 1998, from $25.6 million for 1997.

Interest income on construction loans, including income property, totaled $129.7 million and $75.0 million, with interest earned at an effective yield of 10.5% and 11.1% for the years ended December 31, 1998 and 1997, respectively. The average principal balance of construction loans outstanding increased $570.5 million to $1.2 billion during 1998 from $677.6 million during 1997.

Interest income on revolving warehouse lines of credit totaled $44.5 million and $24.8 million, with interest earned at effective yields of 9.1% for both years ended December 31, 1998 and 1997, respectively. The average principal balance outstanding increased to $487.0 million from $272.3 million for the years ended December 31, 1998 and 1997, respectively.

Interest income on mortgage securities totaled $42.3 million and $25.3 million, with interest earned at effective yields of 5.5% and 7.3% for the years ended December 31, 1998 and 1997, respectively. The decline in the effective yield in 1998 was due to impairment losses taken on the portfolio as a result of asset devaluation, see "Liquidity and Capital Resources". During 1998, the average principal balance increased to $773.1 million from $348.5 million in 1997. Mortgage securities consisted of senior securities, adjustable rate agency securities, subordinated securities, principal-only securities, AAA rated interest-only securities and inverse-floater securities and residuals. Interest-only securities and residuals are comprised primarily of securities retained in connection with the securitization of mortgage loans that were held for sale by IndyMac Operating, and subsequently transferred to IndyMac REIT. These securities are now classified as available for sale after implementation of Statement of Financial Accounting Standards No. 134, "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise," ("SFAS 134").

Interest income on collateral for CMOs was $14.7 million and $20.2 million for the years ended December 31, 1998 and 1997, respectively. This decrease was primarily attributable to a decrease in the average aggregate principal amount

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of collateral for CMOs outstanding to $208.2 million from $267.0 million for the years ended December 31, 1998 and 1997, respectively. Interest income on collateral for CMOs includes the impact of amortization of net premiums paid in connection with acquiring the collateral and the impact of the delay in the receipt of prepayments and temporary investment in lower yielding short-term holdings in Guaranteed Investment Contracts ("GICs") until such amounts are used to repay CMOs.

Interest Expense: For 1998 and 1997, total interest expense was $355.4 million and $242.4 million, respectively. This increase in interest expense of $113.0 million was primarily due to an increase in interest expense on repurchase agreements and other credit facilities of $117.2 million, offset in part by a decline in interest expense on CMOs of $4.2 million.

Interest expense on repurchase agreements and other credit facilities used to finance loans held for sale and investment, revolving warehouse lines of credit, construction loans and mortgage securities, totaled $334.7 million during 1998 compared to $217.5 million during 1997. This increase of $117.2 million was primarily the result of an increase in the aggregate average balance of indebtedness outstanding to $5.4 billion in 1998 from $3.5 billion in 1997 to support the growth in earning assets for the year. The effective cost on such borrowings was 6.1% and 6.2% for the years ended December 31, 1998 and 1997, respectively.

Interest expense on CMOs was $15.2 million and $19.4 million for the years ended December 31, 1998 and 1997, respectively. The decrease was primarily attributable to a decrease in average aggregate CMOs outstanding to $184.8 million for 1998 from $243.9 million for 1997, offset by an increase in the effective interest rate of CMOs to 8.2% in 1998 from 7.9% in 1997.

Interest expense on senior unsecured notes totaled $5.5 million for each of the years ended December 31, 1998 and 1997, respectively. The effective interest rate of 9.2% was the same for the years ended December 31, 1998 and 1997. The average outstanding balances were $60.0 million and $59.8 million for the years ended December 31, 1998 and 1997, respectively.

Equity in Earnings of IndyMac Operating: The 1998 loss for IndyMac Operating of $58.8 million, in which IndyMac REIT has a 99% economic interest, resulted principally from the fourth quarter 1998 market disruption. This disruption caused the Company to react quickly and sell off assets at or below the Company's investment in the assets to raise liquidity and lower its leverage ratio. As a result, 1998 revenues declined from 1997 primarily from the reduction in net gain on sale of loans and securities and service fee income of $68.5 million and $11.4 million, respectively. Included in the net gain on sale of loans and securities of $3.2 million is a $98.9 million gain on sale of loans, a $114.6 million net unrealized loss on mark-to-market valuations on trading securities and $18.9 million net realized gains on sale of securities, which is net of losses of $13.6 million realized in the fourth quarter. To support the overall growth of the Company, 1998 salaries, general and administrative expenses increased over 1997 by $56.7 million. IndyMac Operating's pre-tax loss of $102.3 million was offset by a tax benefit of $43.5 million.

Net Gain (Loss) on Mortgage Loans and Securities: The Company incurred a loss on mortgage loans and securities of $19.1 million in 1998, as compared with a gain of $1.0 million in 1997. This loss was primarily due to fourth quarter 1998 market disruption resulting in a mark-to-market adjustment on the Company's trading securities portfolio totaling $14.3 million and a realized net loss on sale of securities of $2.0 million. At the end of 1998, the Company reclassified to available for sale its trading portfolio according to the provisions of SFAS 134.

Salaries, General and Administrative Expenses: The increase of $7.4 million in these expenses for the year ended December 31, 1998 compared to the year ended December 31, 1997 is primarily the result of the increased personnel and expenses required to support the growth in the operations of IndyMac REIT, including CLCA, IndyMac CLD, and WLCA during the first three quarters of 1998, as well as the expense of establishing certain administrative and accounting functions as part of IndyMac REIT becoming self-managed.

Management Fees: There were no management fees for 1998. For 1997, management fees were $4.4 million. The decrease in the management fee was primarily due to IndyMac REIT's acquisition of its manager on July 1, 1997 as a result of which IndyMac REIT became self-managed and the management fee was eliminated.

Non-recurring Charges: The decrease in overall expenses of $73.1 million in 1998 was largely due to the non-recurring charge of $76.0 million related to IndyMac REIT's acquisition of CAMC discussed below.

RESULTS OF OPERATIONS 1997 COMPARED TO 1996

Net Earnings: As a result of the non-recurring charge related to IndyMac REIT's acquisition of CAMC, IndyMac REIT's net earnings were $24.3 million, or $0.43

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basic and diluted earnings per share, based on 56,124,537 and 56,453,634 weighted average shares outstanding for 1997, respectively, compared to $69.0 million, or $1.51 basic earnings per share and $1.50 diluted earnings per share, based on 45,643,885 and 45,805,509 weighted average shares outstanding for 1996, respectively.

Earnings before the non-recurring charge related to the acquisition of CAMC were $100.3 million, with $1.79 basic earnings per share and $1.77 diluted earnings per share, respectively, for the year ended December 31, 1997.

The increase in net earnings of $31.3 million before the non-recurring charge was principally due to an increase in net interest income of $35.6 million, a decrease in management fees to affiliate of $4.4 million, and an increase in other income of $3.9 million, offset, in part, by increases in the provision for loan losses, salaries and general and administrative expenses of $5.6 million, $3.0 million and $4.7 million, respectively.

Interest Income: Total interest income was $360.9 million for 1997 and $242.3 million for 1996. The increase in interest income of $118.6 million was primarily the result of increases in interest earnings on the following: construction loans, $44.8 million; mortgage loans held for investment, $28.2 million; mortgage securities, $14.7 million; mortgage loans held for sale, $11.2 million; revolving warehouse lines of credit, $9.3 million; manufactured housing loans held for sale, $6.9 million; advances to IndyMac Operating, $2.3 million; home improvement loans held for sale, $1.7 million; manufactured housing loans held for investment, $1.4 million; and $0.4 million in other income. These increases were partially offset by a reduction in the interest income related to collateral for CMOs of $2.4 million.

Interest income on mortgage loans held for sale totaled $68.9 million and $57.7 million, resulting in effective yields of 8.5% and 8.8%, respectively, for the years ended December 31, 1997 and 1996. The average principal balance of such loans increased to $806.9 million for the year ended December 31, 1997, from $659.2 million for the year ended December 31, 1996.

Interest income on manufactured housing loans held for sale totaled $9.2 million and $2.3 million, with interest earned at effective yields of 9.7% and 9.8%, for the years ended December 31, 1997 and 1996, respectively. The average principal balance of such loans increased by $71.3 million to $94.5 million

during 1997, from $23.2 million for 1996. This increase is partly attributable to IndyMac MHD's commencement of operations in March 1996.

Interest income on mortgage loans held for investment totaled $125.2 million during 1997 compared to $95.5 million during 1996. The increase from 1996 was the result of an increase in the average amount of loans held for investment during the year of $451.2 million partially offset by a decrease in the average yield. The average principal balance of mortgage loans held for investment was $1.6 billion during 1997 with interest earned at an effective yield of 7.6%, compared to the average principal balance of mortgage loans held for investment during 1996 of $1.2 billion with interest earned at an effective yield of 8.1%.

Interest income on manufactured housing loans held for investment totaled $2.7 million and $1.3 million, with interest earned at effective yields of 8.6% and 9.2% for the years ended December 31, 1997 and 1996, respectively. The average principal balance of such loans increased by $13.0 million to $25.6 million during 1997, from $12.6 million for 1996.

Interest income on construction loans totaled $75.0 million and $30.2 million, with interest earned at an effective yield of 11.1% and 12.6% for the years ended December 31, 1997 and 1996, respectively. The average principal balance of construction loans outstanding increased $437.3 million to $677.6 million during 1997 from $240.3 million during 1996.

Interest income on revolving warehouse lines of credit totaled $24.8 million and $15.5 million, with interest earned at effective yields of 9.1% and 8.7% for the years ended December 31, 1997 and 1996, respectively. The average principal balance outstanding increased to $272.3 million from $177.6 million for the years ended December 31, 1997 and 1996, respectively.

Interest income on mortgage securities totaled $25.3 million and $10.5 million, with interest earned at effective yields of 7.3% and 8.1% for the years ended December 31, 1997 and 1996, respectively. During 1997, the average principal balance increased to $348.5 million from $129.5 million in 1996. Mortgage securities consisted of senior securities, adjustable rate agency securities, subordinated securities, principal-only securities, interest-only securities and inverse-floater securities. Interest-only securities were comprised primarily of excess master servicing fees sold by IndyMac Operating to IndyMac REIT and subsequently securitized by IndyMac REIT, which were classified and accounted for as available for sale, and also include interest-only securities acquired by IndyMac REIT in connection with the securitization of mortgage loans held for sale by IndyMac Operating, which were classified and accounted for as trading

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securities.

Interest income on collateral for CMOs was $20.2 million and $22.6 million for the years ended December 31, 1997 and 1996, respectively. This decrease was primarily attributable to a decrease in the average aggregate principal amount of collateral for CMOs outstanding to $267.0 million from $299.8 million for the years ended December 31, 1997 and 1996, respectively. Interest income on collateral for CMOs includes the impact of amortization of net premiums paid in connection with acquiring the CMO portfolio and the impact of the delay in the receipt of prepayments and temporary investment in lower yielding short-term holdings in GICs until such amounts are used to repay CMOs.

Interest Expense: For 1997 and 1996, total interest expense was $242.4 million and $159.4 million, respectively. This increase in interest expense of $83.0 million was primarily due to an increase in interest expense on repurchase agreements and other credit facilities of $86.1 million, offset in part by a decline in interest expense on CMOs of $3.1 million.

Interest expense on repurchase agreements and other credit facilities used to finance loans held for sale and investment, revolving warehouse lines of credit, construction loans and mortgage securities totaled $217.5 million during 1997 compared to $131.4 million during 1996. This increase of $86.1 million was primarily the result of an increase in the aggregate average balance of indebtedness outstanding for the year to $3.5 billion in 1997 from $2.1 billion in 1996. The effective interest rate on such borrowings was 6.2% and 6.3% for the years ended December 31, 1997 and 1996, respectively.

Interest expense on CMOs was $19.4 million and $22.5 million for the years ended December 31, 1997 and 1996, respectively. The decrease was primarily attributable to a decrease in average aggregate CMOs outstanding to $243.9 million for 1997 from $275.0 million for 1996, combined with a decrease in the effective interest rate of CMOs to 7.9% in 1997 from 8.2% in 1996.

Interest expense on senior unsecured notes totaled $5.5 million for each of the years ended December 31, 1997 and 1996, respectively. The effective interest rate of 9.2% and average outstanding balance of $59.8 million were also the same for each of the years ended December 31, 1997 and 1996.

Equity in Earnings of IndyMac Operating: The 1997 earnings for IndyMac Operating of $18.8 million, in which IndyMac REIT has a 99% economic interest, resulted principally from net interest income of $2.0 million and gain on sale of mortgage loans and securities of $71.7 million, offset by salaries, general and administrative expenses of $56.5 million, management fee expense of $0.8 million and income taxes of $13.9 million. During 1996, earnings for IndyMac Operating of $18.1 million resulted principally from net interest income of $2.5 million and gain on sale of mortgage loans and securities of $51.7 million, offset by salaries, general and administrative expenses of $31.2 million, management fee expense of $2.1 million and income taxes of $13.5 million.

Salaries, General and Administrative Expenses: The increase of $7.7 million for the year ended December 31, 1997 compared to the year ended December 31, 1996 is primarily the result of the increased personnel and expenses required to support the growth in the operations of IndyMac REIT, including CLCA, IndyMac CLD, and WLCA as well as the expense of putting in place certain administrative and accounting functions as part of IndyMac REIT becoming self-managed.

Management Fees: For 1997, management fees were $4.4 million compared to $8.8 million for 1996. The decrease in the management fee was primarily due to IndyMac REIT's aforementioned acquisition of its manager on July 1, 1997 as a result of which IndyMac REIT became self-managed and the management fee was eliminated.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds include monthly principal and interest payments on its loans held for sale and investment portfolios, committed and uncommitted borrowings, structured financing, proceeds from the sale of assets and issuance of REMIC and asset-backed securities, master and primary servicing fees and other servicing-related revenues and proceeds from the Company's Dividend Reinvestment and Stock Purchase Plan ("DRIP").

The widely publicized events of the fourth quarter 1998 highlighted the Company's vulnerability to market disruptions because of the Company's heavy reliance on repurchase financing. Due in no small part to financial problems in Asia and the Russian credit crisis in the late summer of 1998, U.S. financial markets experienced a "flight to quality" (investors' preference for highly rated and/or low risk investments), which brought unexpected changes in the debt, equity, credit and securitization markets. These changes adversely affected the Company's ability to fund its operations. First, the Company's repurchase lenders, which provided committed and uncommitted repurchase facilities, advised the Company informally of restrictions on the amounts, terms and operating conditions under which uncommitted borrowings would be made

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available. In addition, the market disruptions caused some repurchase lenders to change their assessment of their pledged collateral and the terms of certain of the Company's repurchase credit facilities enabled the Company's lenders to make margin calls on the Company's credit facilities requiring either a paydown of the facility or the pledge of additional collateral to support these facilities. While the Company met the terms of all such margin calls, the effect was to decrease the amount of indebtedness the Company was authorized to incur, and thus increase the Company's liquidity. Second, the market disruptions and the resulting limited availability of financing, caused several public companies in the financial services industry to file for protection from their creditors under the U.S. Bankruptcy Code, further eroding investors' confidence in certain market-funded financial services companies. This lack of confidence in certain segments of the financial services sector caused IndyMac REIT's and other's stock prices to fall sharply. As a result of this decline in stock price, the Company did not utilize the optional cash investment feature of the DRIP to raise significant amounts of capital in the fourth quarter of 1998. However, as financial markets have stabilized, the Company has again begun to raise capital through the optional cash investment feature of the DRIP albeit at levels lower on average than prior to the fourth quarter of 1998. Lastly, spreads in the securitization market widened dramatically, making loan sales through REMIC and other securitization vehicles less profitable and more capital-intensive.

As a result of these market issues and limitations on available capital, during 1998's fourth quarter, the Company took steps to preserve liquidity and modify its operations so as to conserve its cash resources. The Company raised pricing

and limited premiums in its third party lending and consumer loan businesses to slow volumes and temporarily halted new commitments for builder single family construction and income property lending. The Company lowered its expenses by reducing its workforce by approximately twenty percent in November 1998, to align expenses more accurately with actual and projected production volumes. The Company also sold securities, a pool of real estate owned and some bulk servicing rights to raise cash. In addition, the Company emphasized the sale of loans on a whole loan basis instead of through securitizations, where financing of residual securities was not readily available. The decrease in production volumes and assets reduced the Company's balance sheet from $7.4 billion, as of September 30, 1998, to $5.7 billion on December 31, 1998 and its leverage ratio (total liabilities minus borrowings on treasury securities to total equity) from 6.9:1 to 5.5:1, at September 30, 1998 and December 31, 1998, respectively.

The Company reported a loss in the fourth quarter of 1998, but recorded an overall profit for the full year 1998. The Company suffered realized and unrealized losses in several areas which, when combined with lower net income from reduced assets, contributed to the fourth quarter loss. The realized losses of approximately $15.0 million were the result of securities, bulk servicing and real estate owned sales into the disrupted markets to raise liquidity. The Company also sustained unrealized losses of approximately $66.2 million, net of the tax benefit, in its trading and available for sale securities portfolios as a result of the reduced market value of mortgage-backed and other securities created by the general market disruption. The Company, at all times during the fourth quarter, was in compliance with all covenants and other material terms of its credit and debt agreements and remains in good standing with all of its creditors and lenders.

Since the end of December 1998, market conditions have improved and stabilized. The Company has secured $700 million in additional committed financing, including a $500 million repurchase facility from Morgan Stanley Mortgage Capital, Inc. and a $200 million commercial paper facility with Bank of America, both of which are more fully described below. In addition, IndyMac REIT has resumed raising equity capital through the optional cash investment feature of the DRIP. From December 1998 through February 1999, the Company has raised approximately $40 million through the DRIP. The Company currently maintains liquidity at levels ranging from $175 million to $225 million, somewhat higher than the levels prior to the fourth quarter of 1998. With its liquidity returning to more prudent levels, the Company will continue to reassess reentering the securitization markets in the near term as market conditions continue to improve. In addition, the Company is pursuing strategic alternatives to managing its liabilities, with an emphasis on procuring longer term facilities where collateral values are determined on a less subjective basis. These options include, but are not limited to, structured financing vehicles, unsecured debt and the possible acquisition, or de novo charter, of a depository institution. In general, the Company plans to continue to operate with a conservative leverage ratio and sufficient liquidity.

The Company believes that its liquidity levels and borrowing capacity are sufficient to meet its current operating requirements. However, the Company's liquidity and capital resources will continue to depend on factors such as cash flow from operations, margins on financial collateral required by lenders, margin calls and the Company's ability to raise funds in the capital markets.

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It is the Company's policy to maintain adequate capital and liquidity and to comply with all leverage and financial covenants set forth in the Company's credit agreements.

The table below summarizes the Company's committed sources of financing as of December 31, 1998/4/:

<TABLE>
<CAPTION>

(Dollars in millions)	Committed Financing	Maturity Date
Merrill Lynch	$2,000	April 2000
First Union Bank Syndicate	900	February 2001
Paine Webber	500	June 2000
Bank of America	200	December 1999
Senior unsecured notes	60	October 2002
Total	$3,660	

</TABLE>

/4/ Excludes $500 million credit facility with Morgan Stanley Mortgage Capital, Inc. discussed below.

In April 1998, the Company renewed a repurchase facility with Merrill Lynch, Pierce, Fenner & Smith, Inc. and certain of its affiliates, in an aggregate committed principal amount of $2.0 billion, and uncommitted amounts to be determined upon mutual agreement. The agreement is committed for a period of at least two years from the date of execution and currently permits the Company to finance its third party lending operations, mortgage portfolio, warehouse lending, construction lending and manufactured housing lending assets and operations. The repurchase facility carries a floating rate of interest based on the London Interbank Offered Rate ("LIBOR"), plus an applicable margin, which varies by the type of asset financed, and as of December 31, 1998, the total balance of outstanding loans from Merrill Lynch was $2.8 billion.

In February 1998, the Company renewed a credit facility with a syndicate of nine commercial banks led by First Union National Bank increasing the available committed borrowings from $500 million to $900 million, expanding the types of collateral which can be financed thereunder and extending the term of the commitment for an additional three years expiring February 2001. This facility primarily finances mortgage loans, construction loans, and primary and master servicing assets. Also during 1998, the syndicate under this credit facility increased to fifteen commercial banks. As of December 31, 1998, the total balance of outstanding loans from this syndicate was $748 million. The interest rates under this credit facility are based, at the Company's election, on LIBOR or the federal funds rate, plus an applicable margin, which varies by the type of asset financed.

In June 1998, the Company renewed a repurchase facility with PaineWebber Real Estate Securities, Inc. in an aggregate principal amount of $500 million. Such repurchase facility is committed for a two-year period from the date of execution and currently permits the Company to finance its third party lending operations, warehouse lending and mortgage portfolio assets and operations. Such repurchase facility carries a floating rate of interest based on LIBOR, plus an applicable margin, which varies by the type of asset financed. The Company is permitted to borrow additional uncommitted amounts under this repurchase facility, and as of December 31, 1998, the total balance of outstanding loans from PaineWebber Real Estate Securities, Inc. was $488 million.

In January 1999, the Company entered into a one-year committed repurchase facility with Morgan Stanley Mortgage Capital, Inc. in an aggregate principal amount of $500 million. This repurchase facility finances the Company's mortgage portfolio assets and third party lending operations. The repurchase facility carries a floating rate of interest based on LIBOR, plus an applicable margin, which varies by type of asset financed. As of January 31, 1999, the total balance of outstanding loans from this repurchase facility was $285 million.

In December 1998, IndyMac REIT entered into a $200 million commercial paper conduit facility with Bank of America (formerly NationsBank). This facility finances residential builder construction loans at a floating interest rate based on the prevailing rates in the commercial paper market available to certain Bank of America affiliated entities. As of December 31, 1998, the total outstanding balance under this credit facility was $184 million.

During the fourth quarter of 1995, the Company raised $59.6 million in connection with the private placement of senior notes with certain institutional

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lenders. These senior notes are unsecured, and the proceeds are utilized by the Company in connection with its working capital needs. The effective rate of interest on such senior notes is fixed at 9.2% for a period of seven years from the date of issuance.

The Company has from time to time raised additional capital through public offerings, the most recent of which involved the issuance of the Company's common stock with net proceeds totaling $68.7 million in February 1995. The Company also raises new equity capital primarily through the optional cash investment feature of its DRIP. During 1998, the Company raised $234 million in common equity through the optional cash investment feature of the DRIP. As previously stated, in light of the market disruptions and related decline in the Company's stock price during the fourth quarter of 1998, the Company did not utilize the optional cash investment feature of the DRIP to raise significant amounts of capital in the fourth quarter of 1998. However, as financial markets have stabilized, the Company has again begun to raise capital through the optional cash investment feature of the DRIP albeit at levels lower on average than prior to the fourth quarter 1998.

The Company has filed a shelf registration statement with the Securities and Exchange Commission, which became effective in January 1998. Under the terms of the registration statement, the Company is permitted to offer a variety of debt and/or equity instruments in an aggregate amount of $500 million.

The REIT provisions of the Internal Revenue Code restrict IndyMac REIT's ability to retain earnings and thereby replenish the capital committed to its mortgage portfolio, third party lending operations, commercial lending and other operations, by requiring IndyMac REIT to distribute to its shareholders substantially all of its taxable income from operations. Certain of the Company's material businesses, including its third party lending operations, are known to require significant and continuing commitments of capital resources in order to enable their growth.

The Company's ability to meet its long-term liquidity requirements is subject to the renewal of its repurchase and credit facilities and/or obtaining other sources of financing, including issuing additional debt or equity from time to time. Any decision by the Company's lenders and/or investors to make additional funds available to the Company in the future will depend upon a number of factors, such as the Company's compliance with the terms of its existing credit arrangements, the Company's financial performance, industry and market trends in the Company's various businesses, the general availability of and rates applicable to financing and investments, such lenders' and/or investors' own resources and policies concerning loans and investments, and the relative attractiveness of alternative investment or lending opportunities.

In March 1999, Standard & Poor's Corporation reaffirmed the Company's senior unsecured credit rating at "BBB-", but with a negative outlook as a result of the events of the fourth quarter 1998. Standard & Poor's advised the Company that its removal from "negative outlook" would depend upon how the Company successfully implements its business plan for 1999 and beyond. In October 1998, Fitch IBCA Inc., in response to liquidity concerns and credit tightening for market funded companies, lowered the Company's rating on its senior unsecured obligations from "BBB" to "BBB-", maintaining the Company's investment grade rating. In October 1998, these senior unsecured obligations were rated "BBB" by Duff & Phelps Rating Co. In February 1999, Fitch IBCA Inc. lowered its rating for the Company's senior secured revolving credit facility to "BBB+", and at the same time affirmed the Company's investment grade rating at "BBB-" and removed the ratings from Rating Alert Negative.

EFFECT OF INTEREST RATE CHANGES

Due to the characteristics of certain financial assets and liabilities, and the nature of business activities, the Company's financial position and results of operations may be materially affected by changes in interest rates in various ways. With respect to its financial assets and liabilities, the Company has devised and implemented a general asset/liability investment management strategy which seeks, on an economic basis, to mitigate significant fluctuations in the financial position and results of operations of the Company likely to be caused by changes in market interest rates. This strategy attempts, among other things, to balance investments in various types of financial instruments whose values could be expected to move inversely to each other in response to movement in market interest rates. Included in this strategy is the use of a "macro-hedge" which contemplates increased earnings from production volumes at the same time as losses are incurred due to rapid prepayments.

However, there can be no assurance that this strategy (including assumptions concerning the correlation thought to exist between different types of instruments) or its implementation will be successful in any particular interest rate environment. For example, the Company has been required by market conditions to raise prices and reduce its purchase and origination volumes of mortgage loans in its third party lending operations, and as a result, the macro-hedge strategy of seeking to replace prepayment losses on assets held for

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investment with gains on new production volumes may not operate consistent with prior periods. In addition, cash flow considerations may require the Company to utilize different strategies with respect to hedging certain assets and/or production pipelines, including utilizing options as opposed to futures contracts and principal-only mortgage securities. The decision to sell principal-only securities was based on the Company's limited ability, during the fourth quarter 1998 market disruption, to obtain financing for such securities. Also, see "Item 7A. Quantitative and Qualitative Disclosure About Market Risk".

Financial assets of the Company that tend to increase in value as interest rates increase, and decline in value as interest rates decrease include interest-only securities. These financial assets carry an implicit yield that is based upon estimates of future cash flows on an underlying pool of mortgage loans. As interest rates increase, the prepayments on the underlying pool of mortgage loans tends to slow, resulting in higher residual cash flows than would

otherwise have been obtained, and therefore, results in higher implicit yields. As of December 31, 1998, IndyMac REIT and IndyMac Operating on a combined basis held $335.2 million of interest-only securities. On December 31, 1998, $242.0 million of these assets were reclassified from trading to available for sale in accordance with the provisions of SFAS 134. The remaining balance of $93.2 million was already classified as available for sale on that date. As a result, normal fluctuations in fair market value of these securities will be recorded as adjustments to shareholders' equity in future periods.

Financial instruments of the Company that tend to decrease in value as interest rates increase, and increase in value as interest rates decline include REMIC senior securities, fixed rate subordinated securities, adjustable rate agency securities, principal-only securities, U.S. Treasury bonds and inverse-floater securities. Similar to the interest-only securities, the principal-only and inverse-floater securities carry an implicit yield based upon estimates of future cash flows on an underlying pool of mortgage loans. However, the principal-only and inverse-floater securities generally sell at a discount, similar to a "zero-coupon" bond, in order to yield an estimated return.

If interest rates increase and prepayments slow in comparison to assumed prepayment rates, the repayment rate of the principal-only and inverse-floater security would tend to lengthen and thus reduce the implicit yield on the security. Conversely, if interest rates decrease, the rate of prepayment on the underlying pool of loans would tend to increase, resulting in a more rapid rate of repayment on the principal-only security and inverse-floater security and therefore a higher implicit yield. To a lesser extent, any mortgage securities held by the Company and supported by adjustable rate mortgage loans may decline in value as interest rates increase, if the timing or absolute level of interest rate adjustments on the underlying loans do not correspond to applicable increases in market interest rates.

The Company is also subject to certain business and credit risks in connection with interest rate changes. Increases in interest rates may discourage potential mortgagors from borrowing or refinancing mortgage or manufactured housing loans, thus decreasing the volume of loans available to be purchased through the Company's third party lending operations, originated through LoanWorks or financed through the Company's construction and warehouse lending operations. Additionally, with respect to adjustable rate loans, the rate of delinquency may increase in periods of increasing interest rates as borrowers face higher adjusted mortgage payments.

The Company's liquidity position and net interest income could also be adversely impacted by significant interest rate fluctuations. Each of the Company's collateralized borrowing facilities described above in "Liquidity and Capital Resources" permits the lender or lenders thereunder to require the Company to repay amounts outstanding and/or pledge additional assets in the event that the value of the pledged collateral declines due to changes in market interest rates. In the event of such a decrease in collateral values, the Company is required to provide additional funds and/or pledge additional assets to maintain financing for its holdings that have been financed to maturity through the issuance of CMOs or other longer-term debt securities. The volatile situation in the capital markets during the fourth quarter of 1998, particularly with regard to interest-only securities and servicing assets, resulted in margin calls based on values taken from disrupted markets, which were offset only partially by the Company's hedging position and asset/liability management strategies based on economic models. In addition, increases in short-term borrowing rates relative to rates earned on asset holdings that have not been financed to maturity through the issuance of CMOs or other debt securities may also adversely affect the Company's "spread income" on such assets and thus reduce the Company's earnings. This phenomenon also occurred during the fourth quarter of 1998.

SYSTEMS ISSUES ASSOCIATED WITH THE YEAR 2000

Summary

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The Company has completed the review of its computer systems to determine the impact of the Year 2000 issue and is in the process of remediating and replacing those systems determined to be non-Year 2000 compliant. The Year 2000 issue relates to the effects of potentially date sensitive calculation errors by computers whose programs may not properly recognize the year 2000.

The Company's Year 2000 strategy is to identify all systems, which internally and externally impact its business, and determine Year 2000 compliance. Internal impact relates to the Company's internally developed programs and vendor purchased software programs which are operated in-house by the Company. External impact refers to embedded technology equipment and systems, vendors that supply the Company with goods and services (including data processing service bureaus), and business partners. The goals of the Company related to

Year 2000 are to determine its state of readiness, identify risks and develop contingency plans to mitigate those risks and to identify costs associated with Year 2000 issues. The Company is using external consultants to assist the Company's Year 2000 staff in identifying Year 2000 risks, addressing these risks, and developing contingency plans.

State of Readiness and Identification of Risks

The identification and assessment of internal systems has been completed and the remediation, testing and implementation phases are currently in progress. Most of the Company's internally developed systems were developed over the past five years, and were designed to be Year 2000 compliant. The Company currently expects to substantially complete both remediation and validation of internal mission-critical systems by April 30, 1999, with formal implementation to occur by June 30, 1999.

In 1998, the Company began its communication with significant third parties to determine the extent to which the Company may be affected by those third parties' failure to remediate their own Year 2000 issues. The Company will continue to monitor the progress of third party testing and implementation procedures throughout 1999. Contingency plans for mission-critical third party systems are in progress. The Company cannot at present determine the financial effect if significant third party remediation efforts fail.

An inventory of embedded technology equipment and systems has been compiled in order to ensure that all components are Year 2000 compliant. Embedded technology equipment and systems include equipment, machinery or building infrastructure that are controlled, monitored or operated by embedded computer devices.

Risks and Contingency Plans

The Company has currently identified two material potential risks related to its Year 2000 issues. The first risk is that the Company's primary lenders, depository institutions and collateral custodians do not become Year 2000 compliant before year-end 1999, which could materially impact the Company's ability to access funds and collateral necessary to operate its various businesses. The Company is currently assessing the risks related to these and other Year 2000 risks, and has received some assurances that the computer systems of its lenders, depository institutions, collateral custodians, and business partners, many of whom are among the largest financial institutions in the country, will be Year 2000 compliant by year-end 1999.

The second risk is that the external primary servicing system on which the Company and close to half of its business partners rely to service mortgage loans does not become Year 2000 compliant before year-end 1999. Failure on the part of the servicing system could materially impact the Company's servicing operations and the servicing operations of those business partners that are servicing mortgage loans held by the Company. As of February 5, 1999, the Company received confirmation that the servicing system had achieved Year 2000 compliance. In addition to this confirmation, the servicing system vendor is participating in an industry-sponsored test to further demonstrate its Year 2000 compliance. The completion of this testing is scheduled for April 1999.

In addition to the above noted risks, the Company uses two other servicing applications for its loan portfolios. The Company has been notified by the vendor of one of the applications that it is Year 2000 compliant as of February 1999. The other vendor has estimated that its application will be Year 2000 compliant by April 1999.

The Company has developed and is continuing to develop contingency plans for all non-Year 2000 compliant internal systems. Contingency plans include identifying alternative processing platforms and alternative sources for services and businesses provided by critical non-Year 2000 compliant financial depository institutions, vendors and business partners. The Company believes that its plans for internal systems and related processing are sufficient to mitigate most of the major effects of Year 2000 issues. However, there can be no assurance that

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the Company's lenders, depository institutions, custodians, vendors and business partners resolve their own Year 2000 compliance issues in a timely manner. Neither are there any assurances that any failure by these other parties to resolve such issues would not have an adverse effect on the Company's operations and financial condition.

Costs Related to Year 2000

The costs incurred by the Company through December 31, 1998 related to Year 2000 issues have been immaterial to its earnings. The Company anticipates that Year 2000 expenses through December 31, 1999 will approximate $2.0 million.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's primary market risk affecting market risk sensitive instruments is interest rate risk. When interest rates fluctuate, the Company can be adversely impacted because the fair market value of its assets and commitments to purchase assets changes (See Part II, Item 7. MD&A "Effect of Interest Rate Changes" for further discussion). Further, in addition to gains on sale, the Company realizes income from the differential or spread between the interest earned on loans, investments, and other interest-earning assets and the interest incurred on borrowings. Any changes in overall interest rates affect both the amount of interest income received on interest-earning assets and the amount of interest expense incurred on interest-bearing liabilities. Since the change in amount received is generally not equal to the change in amount paid, the spread (defined as the difference between the two) can be adversely affected.

In order to minimize the adverse impact on net interest income and shareholders' equity due to changes in the fair market value of its assets and commitments to purchase assets, the Company hedges its loans held for sale, mortgage securities and mortgage servicing rights.

To hedge changes in the value of its interest-only securities portfolio and mortgage servicing rights ("MSR"), the Company will generally choose among several strategies, consisting of either buying mortgage-backed securities or ten year U.S. Treasuries, futures, or options depending on several factors. The Company also from time to time purchases other interest rate derivatives such as floors or swaps; however, the volume and impact of these items as of December 31, 1998 are not considered to be material. The Company uses hedging instruments to reduce its exposure to interest rate risk, not to speculate on the direction of market interest rates. Included in this strategy is the use of a "macro-hedge" which contemplates increased earnings from production volumes at the same time as losses are incurred due to rapid prepayments. The Company has managed its interest rate risk in 1998 as described, and does not expect, at this time, significant changes in future reporting periods.

As part of its interest rate risk management process, the Company performs various interest rate calculations that quantify the net financial impact of changes in interest rates on its interest-earning assets, commitments and interest-bearing liabilities. These analyses incorporate scenarios which assume hypothetical instantaneous shifts in the yield curve among market sensitive asset classes. Various modeling techniques are employed to value these assets. For interest-only securities, MSRs and residuals, the value is determined using a discounted cash flow model. The primary assumptions used in the model are prepayment rates, discount rates, and credit losses. For mortgages and other mortgage securities, a static spread model is used. The primary assumptions used in this model are prepayment rates and discount rates. For loans, an option-adjusted spread ("OAS") model is used incorporating assumptions on prepayment speeds, spreads over the Treasury curve, and the volatility of interest rates. For options, the primary assumption is the expected volatility of interest rates. For futures, the underlying security to be delivered under the contract is valued, a conversion factor is applied, and the percentage change in the fair value is applied to calculate the fair value of the futures contract.

Utilizing this sensitivity analysis, as of December 31, 1998, the Company estimates that a reduction in interest rates of 50 basis points, or 0.50%, all else being constant, would result in a combined after tax loss, including hedges, for IndyMac REIT and IndyMac Operating of $21.5 million. This loss would occur in 1999 assuming the aforementioned decline in rates occurred in 1999. These sensitivity analyses are limited by the fact that they are performed at a particular point in time and do not incorporate other factors that would impact the Company's financial performance in such a scenario, such as the increase in income associated with the increase in production volume that would result from the decrease in interest rates. Consequently, the preceding estimates should not be viewed as a forecast.

FORWARD-LOOKING STATEMENTS

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Certain statements contained in this Form 10-K may be deemed to be forward-looking statements which reflect the Company's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including those identified below, which could cause future results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates, and if no date is provided, then such statements speak only as of the date hereof. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The following factors could cause future results to differ materially from historical results or those anticipated: (1) the level of demand for consumer loans, mortgage loans, construction loans and commercial term loans, which is affected by such external factors as the level of interest rates, the strength of various segments of the economy and demographics of the Company's lending markets; (2) the availability of funds from the Company's lenders and other sources of financing to support the Company's lending activities; (3) the direction of interest rates and the relationship between interest rates and the cost of funds; (4) federal and state regulation of the Company's consumer lending and commercial lending operations and federal regulation of the Company's real estate investment trust status; (5) the actions undertaken by both current and potential new competitors; and (6) other risks and uncertainties detailed in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this Item 8 is already incorporated by reference to IndyMac REIT's Consolidated Financial Statements and Report of Independent Certified Public Accountants beginning at page F-1 of this form 10-K.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item 10 as to directors and executive officers of IndyMac REIT is hereby incorporated by reference to IndyMac REIT's definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of the Company's 1998 fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is hereby incorporated by reference to IndyMac REIT's definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of the Company's 1998 fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 is hereby incorporated by reference to IndyMac REIT's definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of the Company's 1998 fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item 13 is hereby incorporated by reference to IndyMac REIT's definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of the Company's 1998 fiscal year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) and (2) - Financial Statements and Schedules

The information called for by this section of Item 14 is set forth in the Index to Financial Statements and Schedules at page F-1 of this Form 10-K.

(3) - Exhibits

Exhibit

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No.	Description
2.1*	Agreement and Plan of Merger dated as of January 29, 1997 among IndyMac Mortgage Holdings, Inc., formerly known as CWM Mortgage Holdings, Inc. ("IndyMac REIT" or the "Company"), Countrywide Asset Management Corporation ("CAMC"), and Countrywide Credit Industries, Inc. ("CCR") (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed with the SEC on May 21, 1997).
2.2*	Registration Rights Agreement dated as of July 1, 1997 between the Company and CCR (incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement filed with the SEC on May 21, 1997).
3.1*	Certificate of Incorporation of IndyMac REIT, as amended (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the quarter ended June 30, 1997).
3.2*	Bylaws of IndyMac REIT, as amended (incorporated by reference to Exhibit 3.2 to the Company's Form 10-Q for the quarter ended June 30, 1997).
3.3*	Certificate of Incorporation of IndyMac REIT, as amended (incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q for the quarter ended June 30, 1998).
3.4*	Bylaws of IndyMac REIT, as amended (incorporated by reference to Exhibit 3.2 to the Company's Form 10-Q for the quarter ended June 30, 1998).
3.5	Bylaws of IndyMac REIT, as amended.
4.1*	Indenture (the "Indenture"), dated as of December 1, 1985, between Countrywide Mortgage Obligations, Inc. ("CMO, Inc.") and Bankers Trust Company, as Trustee ("BTC") (incorporated by reference to Exhibit 4.1 to CMO, Inc.'s Form 8-K filed with the SEC on January 24, 1986).
4.2*	Series A Supplement, dated as of December 1, 1985, to the Indenture (incorporated by reference to Exhibit 4.2 to CMO, Inc.'s Form 8-K filed with the SEC on January 24, 1986).
4.3*	Series B Supplement, dated as of February 1, 1986, to the Indenture (incorporated by reference to Exhibit 4.1 to CMO, Inc.'s Form 8-K filed with the SEC on March 31, 1986).
4.4*	Series C Supplement, dated as of April 1, 1986, to the Indenture (incorporated by reference to Exhibit 4.4 to CMO, Inc.'s Amendment No. 1 to S-11 Registration Statement (No. 33-3274) filed with the SEC on May 13, 1986).
4.5*	Series D Supplement, dated as of May 1, 1986, to the Indenture (incorporated by reference to Exhibit 4.5 to the Company's S-11 Registration Statement (No. 33-6787) filed with the SEC on June 26, 1986).
4.6*	Series E Supplement, dated as of June 1, 1986, to the Indenture (incorporated by reference to Exhibit 4.6 to the Company's Amendment No. 1 to S-11 Registration Statement (No. 33-6787) filed with the SEC on July 30, 1986).

4.7*	Series F Supplement, dated as of August 1, 1986, to the Indenture (incorporated by reference to Exhibit 4.1 to CMO, Inc.'s Form 8-K filed with the SEC on August 14, 1986).
4.8*	Series G Supplement, dated as of August 1, 1986, to the Indenture (incorporated by reference to Exhibit 4.8 to CMO, Inc.'s S-11 Registration Statement (No.33-8705) filed with the SEC on September 12, 1986).
4.9*	Series H Supplement, dated as of September 1, 1986, to the Indenture (incorporated by reference to Exhibit 4.1 to CMO, Inc's Form 8-K filed with the SEC on October 7, 1986).
4.10*	Series I Supplement, dated as of October 1, 1986, to the Indenture (incorporated by reference to Exhibit 4.11 to CMO, Inc.'s Amendment No. 1 to S-11 Registration Statement (No. 33-8705) filed with the SEC on October 27, 1986).
4.11*	Series J Supplement, dated as of October 15, 1986, to the Indenture (incorporated by reference to Exhibit 4.1 to CMO, Inc.'s Form 8-K filed with the SEC on November 12, 1986).

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4.12* Series K Supplement, dated as of December 1, 1986, to the Indenture (incorporated by reference to Exhibit 4.1 to CMO, Inc.'s Form 8-K filed with the SEC on March 16, 1987).

4.13* Series M Supplement, dated as of January 1, 1987, to the Indenture (incorporated by reference to Exhibit 4.3 to CMO, Inc.'s Form 8-K filed with the SEC on March 16, 1987).

4.14* Indenture (the "SPNB Indenture"), dated as of December 1, 1986, between CMO, Inc. and Security Pacific National Bank, as Trustee ("SPNB") (incorporated by reference to Exhibit 4.1 to CMO, Inc.'s Form 8-K filed with the SEC on January 9, 1987).

4.15* Series W-1 Supplement, dated as of December 1, 1986, to the SPNB Indenture (incorporated by reference to Exhibit 4.2 to CMO, Inc.'s Form 8-K filed with the SEC on January 9, 1987).

4.16* Series N Supplement, dated as of February 1, 1987, to the SPNB Indenture (incorporated by reference to Exhibit 4.1 to CMO, Inc.'s Form 8-K filed with the SEC on March 16, 1987).

4.17* Indenture, dated as of February 1, 1987, between Countrywide Mortgage Trust 1987-I (the "1987-I Trust") and SPNB (incorporated by reference to Exhibit 4.18 to the Company's Form 10-K for the year ended December 31, 1986).

4.18* Indenture Supplement, dated as of September 1, 1987, among Countrywide Mortgage Obligations III, Inc. ("CMO III, Inc."), CMO, Inc. and BTC (incorporated by reference to Exhibit 4.1 to CMO III, Inc.'s Form 8-K filed with the SEC on October 9, 1987).

4.19* Indenture Supplement, dated as of September 1, 1987, among CMO III, Inc., CMO, Inc. and SPNB (incorporated by reference to Exhibit 4.2 to CMO III, Inc.'s. Form 8-K filed with the SEC on October 9, 1987).

4.20* Indenture dated as of November 20, 1990, between the Countrywide Cash Flow Bond Trust ("CCFBT") and BTC (incorporated by referenced to Exhibit 4.22 to the Company's Form 10-K for the year ended December 31, 1990).

4.21* Indenture dated as of March 30, 1993 between Countrywide Mortgage Trust 1993-I (the "1993-I Trust") and State Street Bank and Trust Company (the "Bond Trustee") (incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q for the quarter ended March 31, 1993).

4.22* Indenture dated as of April 14, 1993 between Countrywide Mortgage Trust 1993-II (the "1993-II Trust") and the Bond Trustee (incorporated by reference to Exhibit 4.2 to the Company's Form 10-Q for the quarter ended March 31, 1993).

4.23* First Supplemental Indenture dated as of May 24, 1993 between the 1993-II Trust and the Bond Trustee (incorporated by reference to Exhibit 4.25 to the Company's Form 10-K for the year ended December 31, 1994.)

4.24* 1994 Stock Incentive Plan adopted May 17, 1994 (incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q for the quarter ended September 30, 1994).

4.25* 1996 Stock Incentive Plan adopted May 29, 1996, as amended June 24, 1997 (incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q for the quarter ended June 30, 1997).

4.26* 1998 Stock Incentive Plan adopted May 19, 1998, as amended July 21, 1998 (incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q for the quarter ended June 30, 1998).

10.1* 1996 Amended and Extended Management Agreement, extended as of June 1, 1996, between CWM and CAMC (the "Manager") (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1996).

10.2* 1987 Amended and Restated Servicing Agreement, dated as of May 15, 1987, between Countrywide Mortgage Investments, Inc. (now known as IndyMac Mortgage Holdings, Inc.) ("CMI") and Countrywide Funding Corporation ("CFC") (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed for the quarter ended June 30, 1987).

10.3* 1996 Amended and Extended Loan Purchase and Administrative Services Agreement, dated as of June 1, 1996, between CWM and CFC (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1996).

10.4* 1988 Amended and Restated Submanagement Agreement, dated as of May 15,

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1988, between CFC and the Manager (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended March 31, 1988).

10.5* Form of Indemnity Agreement between CMI and the Company's directors and officers (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended June 30, 1987).

10.6* Form of Guaranty of Indemnity Agreement made by CCR to CMI and the Company's directors and officers (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ended June 30, 1987).

10.7* Servicing Agreement, dated as of November 15, 1986, among CMO, Inc., SPNB and CFC (incorporated by reference to Exhibit 10.1 to CMO, Inc.'s Form 8-K filed with the SEC on January 9, 1987).

10.8* Deposit Trust Agreement (the "1987-I Deposit Trust Agreement"), dated January 16, 1987, between Countrywide Mortgage Obligations II, Inc. ("CMO II, Inc.") and Wilmington Trust Company, as Owner Trustee of the 1987-I Trust (incorporated by reference to Exhibit 10.15 to the Company's Form 10-K for the year ended December 31, 1986).

10.9* Management Agreement, dated as of February 1, 1987, between Wilmington Trust Company, as Owner Trustee of the 1987-I Trust, and the Manager (incorporated by reference to Exhibit 10.17 to the Company's Form 10-K for the year ended December 31, 1986).

10.10* Servicing Agreement, dated as of February 1, 1987, among the 1987-I Trust, SPNB and CFC (incorporated by reference to Exhibit 10.18 to the Company's Form 10-K filed for the year ended December 31, 1985).

10.11* Agreement between CMO, II, Inc. and CMI, dated as of February 1, 1987, regarding certain bankruptcy matters (incorporated by reference to Exhibit 10.19 to the Company's Form 10-K for the year ended December 31, 1986).

10.12* Agreement among CMO II, Inc., the Manager and CFC, dated as of February 1, 1987, regarding certain bankruptcy matters (incorporated by reference to Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 1986).

10.13* Deposit Trust Agreement (the "1987-II Deposit Trust Agreement"), dated as of April 29, 1987, between CMO II, Inc. and Wilmington Trust Company, as Owner Trustee of the 1987-II Trust (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q for the quarter ended June 30, 1987).

10.14* First Amendment to 1987-II Deposit Trust Agreement, dated as of May 29, 1987, between CMO II, Inc. and Wilmington Trust Company, as Owner Trustee of the 1987-II Trust (incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q for the quarter ended June 30, 1987).

10.15* Guaranty, dated as of May 29, 1987, by CMI of obligations of CMO II, Inc. under the 1987-II Deposit Trust Agreement, as amended (incorporated by reference to Exhibit 10.9 to the Company's Form 10-Q for the quarter ended June 30, 1987).

10.16* Management Agreement, dated as of June 1, 1987, between Wilmington Trust Company, as Owner Trustee of the 1987-II Trust, and the Manager (incorporated by reference to Exhibit 10.10 to the Company's Form 10-Q for the quarter ended June 30, 1987).

10.17* Servicing Agreement, dated as of June 1, 1987, among the 1987-II Trust, SPNB and CFC (incorporated by reference to Exhibit 10.11 to the Company's Form 10-Q for the quarter ended June 30, 1987).

10.18* Transfer Agreement, dated as of May 1, 1987, among CMI, CMO II, Inc. and CMO III, Inc. (incorporated by reference to Exhibit 10.12 to the Company's Form 10-Q for the quarter ended June 30, 1987).

10.19* Guaranty, dated as of May 1, 1987, by CMI of obligations of CMO III, Inc. under the 1987-I Deposit Trust Agreement (incorporated by reference to Exhibit 10.13 to the Company's Form 10-Q for the quarter ended June 30, 1987).

10.20* Agreement of Merger, dated as of September 11, 1987, between CMO, Inc. and CMO III, Inc. (incorporated by reference to Exhibit 2 to CMO III, Inc.'s Form 8-K filed with the SEC on October 9, 1987).

10.21* 1985 Stock Option Plan adopted August 26, 1985, as amended February 12, 1987 and as further amended on February 15, 1989 (incorporated by reference to Exhibit 10.30 to the Company's Form 10-K for the year ended December 31, 1989).

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10.22* Trust Agreement, dated as of November 20, 1990, between CMO III, Inc. and Wilmington Trust Company relating to the CCFBT (the "CCFBT Trust Agreement") (incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 1990).

10.23* Guaranty, dated as of November 20, 1990, by CMI of obligations of CMO III, Inc. under the CCFBT Trust Agreement (incorporated by reference to Exhibit 10.32 to the Company's Form 10-K for the year ended December 31, 1990).

10.24* Management Agreement, dated as of November 20, 1990, between CCFBT and the Manager (incorporated by reference to Exhibit 10.33 to the Company's Form 10-K for the year ended December 31, 1990).

10.25* Assignment Agreement, dated as of November 21, 1990, between CMO III, Inc. and CCFBT (incorporated by reference to Exhibit 10.35 to the Company's Form 10-K for the year ended December 31, 1990).

10.26* Deposit Trust Agreement dated as of March 24, 1993 between Countrywide Mortgage Obligations II, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.27* Master Servicing Agreement dated as of March 30, 1993 by and among the 1993-I Trust, CMI and the Bond Trustee (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.28* Servicing Agreement dated as of March 30, 1993 by and among the 1993-I Trust, Countrywide Funding Corporation and the Bond Trustee (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.29* Management Agreement, dated as of March 30, 1993 between Countrywide Asset Management Corporation and the 1993-I Trust (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.30* First Amendment dated as of March 30, 1993 to Agreement between Countrywide Mortgage Obligations II, Inc. and CMI (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.31* First Amendment dated as of March 30, 1993 to Agreement between Countrywide Mortgage Obligations II, Inc., Countrywide Asset Management Corporation and Countrywide Funding Corporation (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.32* Deposit Trust Agreement dated as of April 7, 1993 between Countrywide Mortgage Obligations II, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.33* Master Servicing Agreement dated as of April 14, 1993 by and among the 1993-II Trust, CMI and the Bond Trustee (incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.34* Servicing Agreement dated as of April 14, 1993 by and among the 1993-II Trust, Countrywide Funding Corporation and the Bond Trustee (incorporated by reference to Exhibit 10.9 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.35* Management Agreement, dated as of April 14, 1993 between Countrywide Asset Management Corporation and the 1993-II Trust (incorporated by reference to Exhibit 10.10 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.36* First Amendment to Deposit Trust Agreement dated as of April 13, 1993 between Countrywide Mortgage Obligations II, Inc. and Wilmington Trust Company, as Owner Trustee (incorporated by reference to Exhibit 10.11 to the Company's Form 10-Q for the quarter ended March 31, 1993).

10.37* Contribution and Mortgage Loan Acquisition Agreement dated as of April 19, 1993 between CMI and Countrywide Funding Corporation (incorporated by reference to Exhibit 10.2 to the Company's Amendment No. 3 to S-3 Registration Statement (No. 33-63034) filed with the SEC on July 16, 1993).

10.38* First Amendment to Deposit Trust Agreement dated as of April 16, 1993

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between Countrywide Mortgage Obligations II, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q for the quarter ended June 30, 1993).

10.39* Custody Agreement dated as of April 5, 1993 among CMI, Merrill Lynch Mortgage Capital, Inc. and State Street Bank and Trust Company of California, N.A., Custodian (incorporated by reference to Exhibit 10.10 to the Company's Form 10-Q for the quarter ended June 30, 1993).

10.40* Employment agreement dated November, 1996 between CAMC and Michael W. Perry (incorporated by reference to Exhibit 10.40 to the Company's Form 10-K for the year ended December 31, 1996).

10.41* First Amendment to 1996 Amended and Extended Management Agreement dated as of July 25, 1996 between CWM and CAMC (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 1996).

10.42* Master Forward Commitment and Services Agreement effective January 1, 1996 between CWM and Independent National Mortgage Corporation (incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q for the quarter ended March 31, 1996).

10.43* Independent National Mortgage Corporation Capitalization Agreement, effective as of January 1, 1996, by and among CWM, CFC and Independent National Mortgage Corporation (incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q for the quarter ended March 31, 1996).

10.44* Revolving Working Capital Credit Facility and Credit Support Agreement, effective as of January 1, 1996, between CWM and Independent National Mortgage Corporation (incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q for the quarter ended March 31, 1996).

10.45* Second Amendment to 1996 Amended and Extended Management Agreement dated as of April 28, 1997 between CWM and CAMC (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 1997).

10.46* First Amendment to 1996 Amended and Extended Loan Purchase and Administrative Services Agreement dated as of April 28, 1997 between CWM and Countrywide Home Loans, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended March 31, 1997).

10.47* First Amendment to Employment Agreement dated as of April 1, 1997 between CAMC and Michael W. Perry (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 1997).

10.48* Employment Agreement dated January 1, 1997 between CAMC and Richard H. Wohl (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1997).

10.49* Employment Agreement dated September 1, 1997 between IndyMac, Inc. and S. Blair Abernathy (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 1997).

10.50* Employment Agreement dated January 1, 1997 between CAMC and Kathleen H. Rezzo (incorporated by reference to Exhibit 10.50 to the Company's Form 10-K for the year ended December 31, 1998).

10.51* Employment Agreement dated January 1, 1998 between IndyMac REIT and Carmella Grahn (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1998).

10.52* Amendment to Employment Agreement dated September 1, 1998 between IndyMac REIT and S. Blair Abernathy (incorporated by reference to 10.1 to the Company's Form 10-Q for the quarter ended September 30, 1998).

10.53* Amendment to Employment Agreement dated September 1, 1998 between IndyMac REIT and Carmella Grahn (incorporated by reference to 10.2 to the Company's Form 10-Q for the quarter ended September 30, 1998).

10.54* Second Amendment to Employment Agreement dated September 1, 1998 between IndyMac REIT and Michael Perry (incorporated by reference to 10.3 to the Company's Form 10-Q for the quarter ended September 30, 1998).

10.55* Amendment to Employment Agreement dated September 1, 1998 between IndyMac REIT and Kathleen Rezzo (incorporated by reference to 10.4 to the Company's Form 10-Q for the quarter ended September 30, 1998).

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10.56* Amendment to Employment Agreement dated September 1, 1998 between IndyMac REIT and Richard H. Wohl (incorporated by reference to 10.5 to the Company's Form 10-Q for the quarter ended September 30, 1998).

10.57 Employment Agreement dated December 30, 1998 between IndyMac REIT and David L. Loeb.

10.58 Employment Agreement dated December 23, 1998 between IndyMac REIT and Angelo R. Mozilo.

21.1 List of Subsidiaries.

23.1 Consent of Grant Thornton LLP

27 Financial Data Schedule

*Incorporated by reference.

(b)-Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Pasadena, State of California, on March 26, 1999.

INDYMAC MORTGAGE HOLDINGS, INC.

By: /s/ Michael W. Perry

Michael W. Perry
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Michael W. Perry and Richard H. Wohl his true and lawful attorneys-in-fact and agents, each acting alone, with full powers of substitution, and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signatures	Title	Date
<S>	<C>	<C>
/s/ David S. Loeb -- David S. Loeb	Director and Chairman of the Board of Directors	March 26, 1999
/s/ Angelo R. Mozilo -- Angelo R. Mozilo	Director, President and Vice Chairman of the Board of Directors	March 26, 1999
/s/ Michael W. Perry -- Michael W. Perry	Director and Chief Executive Officer (Principal Executive Officer)	March 26, 1999
/s/ Carmella L. Grahn -- Carmella L. Grahn	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 1999

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/s/ Lyle E. Gramley Lyle E. Gramley	Director	March 26, 1999
/s/ Thomas J. Kearns Thomas J. Kearns	Director	March 26, 1999
/ s/ Frederick J. Napolitano Frederick J. Napolitano	Director	March 26, 1999

</TABLE>

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

INDYMAC MORTGAGE HOLDINGS, INC.
AND SUBSIDIARIES

December 31, 1998, 1997, and 1996

INDYMAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES
December 31, 1998, 1997, 1996

INDYMAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedules, or because the information required is included in the consolidated financial statements or notes thereto.

INDYMAC, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors and Shareholders
IndyMac Mortgage Holdings, Inc.

We have audited the accompanying consolidated balance sheets of IndyMac Mortgage Holdings, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IndyMac Mortgage Holdings, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

We have also audited Schedule IV as of December 31, 1998 of IndyMac Mortgage Holdings, Inc. and Subsidiaries. In our opinion, this schedule presents fairly, in all material respects, the information required to be set forth therein.

/s/ GRANT THORNTON LLP

Los Angeles, California
February 26, 1999

INDYMAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

<TABLE>
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	December 31,	
	1998	1997
ASSETS		
Loans held for sale, net		
<S>	<C>	<C>
Mortgages-prime	$ 989,052	$1,091,908
Mortgages-subprime	145,793	75,770
Manufactured housing	215,507	208,830
Home improvement	205,304	81,763
	1,555,656	1,458,271
Other loans, net		
Loans held for investment	668,523	1,831,047
Construction		
Builder	799,712	603,746
Consumer	468,735	326,950
	1,268,447	930,696
Income property	178,756	16,110
Revolving warehouse lines of credit	443,946	512,458
	2,559,672	3,290,311
Mortgage securities	235,032	558,445
Collateral for collateralized mortgage obligations	162,726	245,474
Investment in and advances to IndyMac Operating	279,693	185,715
Other assets	58,373	110,894
Total assets	$4,851,152	$5,849,110

LIABILITIES AND SHAREHOLDERS' EQUITY

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Repurchase agreements and other credit facilities	$3,785,549	$4,826,656
Collateralized mortgage obligations	140,810	221,154
Senior unsecured notes	60,031	59,888
Accounts payable and accrued liabilities	42,659	37,518
Total liabilities	4,029,049	5,145,216
Shareholders' equity		
Preferred stock - authorized, 10,000,000 shares of $.01 par value; none issued	-	-
Common stock - authorized, 200,000,000 shares of $.01 par value; issued and outstanding, 75,794,435 shares at December 31, 1998 and 63,351,616 at December 31, 1997	758	634
Additional paid-in capital	1,005,797	773,475
Accumulated other comprehensive income	(18,776)	(1,505)
Cumulative earnings	277,220	243,430
Cumulative distributions to shareholders	(442,896)	(312,140)
Total shareholders' equity	822,103	703,894
Total liabilities and shareholders' equity	$4,851,152	$5,849,110

</TABLE>

The accompanying notes are an integral part of these statements.

INDYMAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)

<TABLE>
<CAPTION>

	Years ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
REVENUES			
Interest income			
Loans held for sale			
Mortgages-prime	$115,091	$ 56,148	$ 42,436
Mortgages-subprime	27,737	12,752	15,310
Manufactured housing	16,178	9,184	2,259
Home improvement	18,333	1,727	-
	177,339	79,811	60,005
Other loans			
Loans held for investment	101,893	125,174	95,545
Construction			
Builder	77,226	54,498	23,338
Consumer	43,523	20,368	6,820
	120,749	74,866	30,158
Income property	8,922	131	-
Revolving warehouse lines of credit	44,452	24,801	15,523
	276,016	224,972	141,226
Mortgage securities	42,252	25,250	10,504
Collateral for collateralized mortgage obligations	14,675	20,202	22,648
Advances to IndyMac Operating	17,381	10,075	7,676
Other	1,162	591	244
Total interest income	528,825	360,901	242,303
Interest expense			
Repurchase agreements and other credit facilities	334,666	217,492	131,389
Collateralized mortgage obligations	15,163	19,363	22,478
Senior unsecured notes	5,530	5,517	5,498
Total interest expense	355,359	242,372	159,365
Net interest income	173,466	118,529	82,938
Provision for loan losses	35,892	18,622	12,991
Net interest income after provision for loan losses	137,574	99,907	69,947

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Equity in earnings (loss) of IndyMac Operating	(58,232)	18,414	19,533
Net gain (loss) on mortgage loans and securities	(19,088)	997	(906)
Loss on sale of assets	(2,178)	-	-
Other income	5,000	7,318	3,376
Net revenues	63,076	126,636	91,950
EXPENSES			
Salaries and related	19,616	12,943	9,940
General and administrative	9,670	8,992	4,262
Management fees to affiliate	-	4,406	8,761
Non-recurring charges	-	76,000	-
Total expenses	29,286	102,341	22,963
NET EARNINGS	$ 33,790	$ 24,295	$ 68,987
EARNINGS PER SHARE			
Basic EPS	$0.48	$0.43	$1.51
Diluted EPS	$0.48	$0.43	$1.50

</TABLE>

The accompanying notes are an integral part of these statements.

INDYMAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands)

<TABLE>
<CAPTION>

	Years ended December 31,					
	1998		1997		1996	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Cumulative earnings						
Balance, beginning of year	$ 243,430		$ 219,135		$ 150,148	
Net earnings	33,790	$ 33,790	24,295	$24,295	68,987	$ 68,987
Balance, end of year	277,220		243,430		219,135	
Cumulative distribution to shareholders						
Balance, beginning of year	(312,140)		(216,315)		(149,398)	
Dividends paid	(130,756)		(95,825)		(66,917)	
Balance, end of year	(442,896)		(312,140)		(216,315)	
Accumulated other comprehensive income (loss)						
Balance, beginning of year						
IndyMac REIT	(2,006)		(7,166)		4,694	
IndyMac Operating	501		(8,427)		2,898	
Unrealized gain (loss) on securities						
IndyMac REIT		(16,360)		5,160		(11,860)
IndyMac Operating, net of tax		(911)		8,928		(11,325)
Other comprehensive income	(17,271)	(17,271)	14,088	14,088	(23,185)	(23,185)
Comprehensive income		$ 16,519		$38,383		$ 45,802
Balance, end of year						
IndyMac REIT	(18,366)		(2,006)		(7,166)	
IndyMac Operating	(410)		501		(8,427)	
Common stock						
Balance, beginning of year	634		502		424	
Common stock issued	113		129		74	
Common stock options exercised	11		3		4	
Balance, end of year	758		634		502	
Additional paid-in capital						
Balance, beginning of year	773,475		490,695		353,965	
Director's and officer's notes receivable	(9,912)		-		-	
Deferred compensation	(6,087)		-		-	
Common stock issued	228,668		278,404		132,982	
Common stock options exercised	19,653		4,376		3,748	

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Balance, end of year	1,005,797	773,475	490,695
Total shareholders' equity	$ 822,103	$ 703,894	$ 478,424

</TABLE>

The accompanying notes are an integral part of these statements.

INDYMAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

<TABLE>
<CAPTION>

	Years ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings	$ 33,790	$ 24,295	$ 68,987
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Amortization and depreciation	51,969	29,144	24,911
Provision for loan losses	35,892	18,622	12,991
Equity in (earnings) loss of IndyMac Operating	58,232	(18,414)	(19,533)
Unrealized (gain) loss on trading securities	19,088	(2,206)	-
Issuance of common stock as settlement of management contract	-	72,000	-
Purchases of mortgage loans held for sale	(11,695,094)	(4,912,560)	(3,872,783)
Sale of and payments from mortgage loans held for sale	11,443,586	4,210,331	3,646,046
Net purchases of manufactured housing loans held for sale	(10,702)	(134,510)	(74,949)
Purchases of trading securities	(152,947)	(70,740)	(17,369)
Sale of and payments on trading securities	92,257	4,044	-
Net (increase) decrease in other assets	30,784	(54,789)	(5,758)
Net increase in other liabilities	5,141	14,790	4,972
Net cash (used in) operating activities	(88,004)	(819,993)	(232,485)
Cash flows from investing activities:			
Purchases of mortgage loans held for investment	(324,184)	(1,086,583)	(207,825)
Payments and sales from mortgage loans held for investment	1,623,935	601,245	297,709
Net increase in construction loans receivable	(494,519)	(572,997)	(333,011)
Purchases of mortgage securities	(634,124)	(356,808)	(118,783)
Sales and payments of mortgage securities	927,456	80,704	-
Net (increase) decrease in revolving warehouse lines of credit	67,469	(262,026)	(60,927)
Investment in IndyMac Operating, net of dividends received	-	-	24,750
Net (increase) decrease in manufactured housing loans held for investment	4,781	(4,387)	(25,822)
(Increase) decrease in advances to IndyMac Operating	(153,237)	12,236	(46,561)
Payments from collateral for collateralized mortgage obligations	81,298	43,529	46,204
Net cash provided by (used in) investing activities	1,098,875	(1,545,087)	(424,266)
Cash flows from financing activities:			
Net increase (decrease) in repurchase agreements and other credit facilities	(1,043,442)	2,294,974	493,675
Net proceeds from issuance of common stock	232,446	210,912	136,808
Cash dividends paid	(130,756)	(95,825)	(66,917)
Proceeds from issuance of collateralized mortgage obligations	-	-	146,152
Principal payments on collateralized mortgage obligations	(81,980)	(43,755)	(48,566)
Net cash provided by (used in) financing activities	(1,023,732)	2,366,306	661,152
Net increase (decrease) in cash and cash equivalents	(12,861)	1,226	4,401
Cash and cash equivalents at beginning of period	13,676	12,450	8,049
Cash and cash equivalents at end of period	$ 815	$ 13,676	$ 12,450
Supplemental cash flow information:			
Cash paid for interest	$ 356,174	$ 218,122	$ 156,880

Supplemental disclosure of non-cash activity:

In 1996, $154.6 million of mortgage loans held for investment were transferred to collateral for CMOs in association with the issuance of a CMO.

</TABLE>

The accompanying notes are an integral part of these statements.

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of IndyMac Mortgage Holdings, Inc. and Subsidiaries, ("IndyMac REIT") are prepared in conformity with generally accepted accounting principles ("GAAP"). The following is a summary of the significant accounting and reporting policies used in preparing the consolidated financial statements.

1. Financial Statement Presentation

The consolidated financial statements include the accounts of IndyMac REIT and its qualified REIT subsidiaries. The third party lending activities are primarily conducted through IndyMac, Inc. ("IndyMac Operating"), a taxable affiliate of IndyMac REIT established in 1993. IndyMac REIT owns all the preferred non-voting stock and has a 99% economic interest in IndyMac Operating. Accordingly, IndyMac REIT's investment in IndyMac Operating is accounted for under a method similar to the equity method because IndyMac REIT has the ability to exercise influence over the financial and operating policies of IndyMac Operating through its ownership of the preferred stock and other contracts. Under this method, original investments are recorded at cost and adjusted by IndyMac REIT's share of earnings or losses and decreased by dividends received. References to the "Company" mean the parent company, its consolidated subsidiaries, and IndyMac Operating and its consolidated subsidiaries. All significant intercompany balances and transactions with IndyMac REIT's consolidated subsidiaries have been eliminated in consolidation of IndyMac REIT.

Certain reclassifications have been made to the financial statements for the years ended December 31, 1997 and 1996 to conform to the December 31, 1998 presentation.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material impact on the financial statements.

3. Loans Held for Sale

Mortgage, manufactured housing and home improvement loans held for sale, consisting primarily of one to four family residential units, are carried at the lower of cost or market, computed by the aggregate method by asset type. Premiums paid and discounts obtained on such loans held for sale are deferred as an adjustment to the carrying value of the loans until the loans are sold. Interest is recognized as revenue when earned according to the terms of the loans and when, in the opinion of management, it is collectible. Loans are evaluated for collectibility and, if appropriate, previously accrued interest is reversed.

Pursuant to the Master Forward Commitment and Services Agreement between IndyMac REIT and IndyMac Operating, all loans purchased by IndyMac REIT for which a REMIC transaction, securitization or whole loan sale is contemplated are committed for sale to IndyMac Operating at the same price for which the loans were acquired by IndyMac REIT. Fair value is therefore equal to the commitment price which is the carrying value of the loans. At present, IndyMac REIT does not sell any loans to entities other than IndyMac Operating.

4. Loans Held for Investment, Net

IndyMac REIT purchases certain mortgage and manufactured housing loans to be held as long-term investments. In addition IndyMac REIT may, pursuant to its forward commitment contract with IndyMac Operating, transfer loans held for sale to the "held for investment" designation.

Such transfers are recorded at the lower of cost or market on the date of transfer. The resulting market discount is amortized to interest income over the estimated life of the loan using a level-yield method. Loans are classified as held for investment based on management's intent and ability to hold the loans for the foreseeable future.

Premiums paid and discounts obtained on loans held for investment are recorded as an adjustment to the carrying amount of the loan and amortized to income over the estimated life of the loans using the level-yield method. Interest is recognized as revenue when earned according to the

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terms of the loans and when, in the opinion of management, it is collectible. Loans are evaluated for collectibility and, if appropriate, previously accrued interest is reversed. Loans held for investment are carried at the principal amount outstanding, adjusted for net unamortized premiums or discounts, and net of the allowance for loan losses.

5. Construction Loans

Construction loans are carried at amortized cost. Construction loans include deferred loan fees, premiums and discounts, and commissions paid, which are amortized over the life of the loans to interest income. Interest is recognized as revenue when earned according to the terms of the loans and when, in the opinion of management, it is collectible.

6. Collateral for Collateralized Mortgage Obligations

Collateral for collateralized mortgage obligations ("CMOs"), consisting of mortgage loans and mortgage-backed securities, is carried at the outstanding principal balances, net of unamortized purchase discounts or premiums. Also included in collateral for CMOs are guaranteed investment contracts ("GICs") held by trustees and accrued interest receivable related to CMO collateral.

7. Mortgage Securities

Mortgage securities consist primarily of AAA rated interest-only securities, subordinated securities, residual securities, adjustable-rate agency securities and senior securities.

In October 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 134, "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise", ("SFAS 134"). This Statement requires mortgage-banking enterprises to classify as trading securities any retained mortgage-backed securities that it commits to sell before or during the securitization process. It also requires mortgage-banking enterprises to classify mortgage-backed securities of loans previously held for sale, based on its ability and intent to hold the securities. IndyMac REIT adopted SFAS 134 on December 31, 1998 and, as a result, reclassified all of its trading securities to available for sale. The fair value of the portfolio which was reclassified by IndyMac REIT was $109.3 million.

Estimated fair value is determined based on market quotes when available or discounted cash flow techniques using assumptions for prepayment rates, market yield requirements and credit losses. Such assumptions are estimates and may change in the near term as interest rates or economic conditions change.

Unrealized gains and losses resulting from fair value adjustments on mortgage securities identified as available for sale are excluded from earnings and reported as a separate component of comprehensive income in shareholders' equity. IndyMac REIT evaluates the recoverability of interest-only securities classified as available for sale by computing the present value of estimated future cash flows, using current estimates for prepayment rates, discounted at a risk-free rate of return. An impairment write-down to fair value is charged to earnings for those securities whose amortized cost exceeds the present value at the risk-free rate. IndyMac REIT estimates future prepayment rates based upon current interest rate levels, collateral seasoning, and market forecasts, as well as relevant characteristics of the collateral underlying the assets, such as loan types, interest rates and recent prepayment experience. Unrealized gains and losses from fair value adjustments on mortgage securities identified as trading are included in earnings.

8. Allowance for Loan Losses

IndyMac REIT maintains an allowance for possible credit losses on its loan portfolios. Additions to the allowance are based on an assessment of certain factors, including but not limited to estimated inherent losses on the loans, general economic conditions, and trends in portfolio volume, composition, borrower credit quality, maturity and delinquency. Additions to the allowance are provided through a charge to earnings. Actual losses on loans are recorded as a reduction to the allowance. Subsequent recoveries of items previously charged off are credited to the allowance.

9. Collateralized Mortgage Obligations and Deferred Issuance Costs

CMOs are carried at their outstanding principal balances, net of unamortized original issue costs. Also included in CMOs is accrued interest

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payable on such obligations. Issuance costs have been deferred and are amortized to expense over the estimated life of the CMOs using an effective interest method or methods which approximate the effective interest method. Unamortized deferred issuance costs are included in other assets in IndyMac REIT's consolidated balance sheets.

10. Interest Rate Swap Agreements

IndyMac REIT utilizes interest rate swap agreements to synthetically fix the interest rate and term of certain repurchase agreements to help mitigate the interest rate risk inherent in its portfolio of loans held for investment. The differential to be received or paid under the agreements is accrued and is recognized as an adjustment to net interest income. The related amount payable to or receivable from counterparties is included in either other assets or accrued liabilities.

11. Income Taxes

IndyMac REIT intends to operate so as to continue to qualify as a real estate investment trust ("REIT") under the requirements of the Internal Revenue Code. Requirements for qualification as a REIT include various restrictions on ownership of IndyMac REIT's stock, requirements concerning distribution of taxable income, and certain restrictions on the nature of assets and sources of income. Among other things, a REIT must distribute at least 95% of its taxable income to its shareholders, the distribution of which may extend until timely filing of its tax return for its subsequent taxable year. Qualifying distributions of its taxable income are deductible by a REIT in computing its taxable income. Accordingly, no provision for income taxes has been made for IndyMac REIT. If in any tax year IndyMac REIT should not qualify as a REIT, it would be taxed as a corporation, and distributions to the shareholders would not be deductible in computing taxable income. If IndyMac REIT were to fail to qualify as a REIT in any tax year, it would not be permitted to qualify for that year and the succeeding four years.

12. Earnings Per Share

The FASB issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" which is effective for fiscal years ending after December 15, 1997 and requires presentation of basic earnings per share and diluted earnings per share. Basic earnings per share are computed by dividing income available to common stockholders by the weighted average number of common shares outstanding, which were 69,982,709, 56,124,537 and 45,643,885 for 1998, 1997 and 1996, respectively. Diluted earnings per share takes into consideration common shares outstanding and potentially dilutive common shares, such as stock options. The weighted average number of common shares outstanding for diluted earnings per share were 70,092,019, 56,453,634 and 45,805,509 for 1998, 1997 and 1996, respectively. All earnings per share have been restated, as necessary.

13. Stock-Based Compensation

On January 27, 1998, IndyMac REIT's Board of Directors approved the 1998 Plan (the "Plan") which allows for the grant of various types of awards (the "Award") including, but not limited to, nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, performance share awards, and stock bonuses to employees (including officers and directors) of IndyMac REIT, IndyMac Operating, and their respective subsidiaries or affiliates and certain consultants or advisors to IndyMac REIT, IndyMac Operating, and their respective subsidiaries or affiliates. Awards are granted based upon the fair market value of IndyMac REIT's stock on the grant date.

IndyMac REIT accounts for stock awards in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123"), which allows companies to continue to recognize compensation expense pursuant to Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees" but requires companies to disclose the effect on earnings of compensation expense for stock options based on the fair value of the options at the grant date. The effect on net income and earnings per share, had the Company adopted the expense recognition provisions of SFAS 123, are shown in Note N - Benefit Plans.

14. Recent Accounting Pronouncements

The Company implemented the disclosure provisions of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", ("SFAS 131"), which was effective for periods beginning after December 15, 1997. This statement requires disclosure of

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financial information about the Company's operating segments. Operating segments are components of an enterprise about which separate financial information is available, and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Since SFAS 131 provides for informative disclosure, implementation did not impact 1998 net earnings and earnings per share, and will not impact previously reported or future net earnings or earnings per share.

The Company implemented the disclosure provisions of Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits--an amendment of FASB Statements No. 87, 88, and 106" ("SFAS 132"), effective for fiscal years beginning after December 15, 1997. This Statement revises employers' disclosures about pension plans and other postretirement benefit plans. SFAS 132 provides informative disclosure but does not change the measurement or recognition of those plans, and as such, it did not impact 1998 net earnings or earnings per share and will not impact previously reported or future net earnings and earnings per share.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS 133 is required to be adopted by January 2000, with earlier adoption permitted. The Company is currently in the process of determining the impact of the adoption of SFAS 133.

The Company implemented SFAS 134 which is effective for fiscal periods beginning after December 15, 1998. This Statement requires mortgage banking enterprises to classify as trading securities any retained mortgage-backed securities that it commits to sell before or during the securitization process. It also requires mortgage banking enterprises to classify mortgage-backed securities of loans previously held for sale, based on its ability and intent to hold the securities. The adoption of SFAS 134 had no impact on 1998 net earnings and earnings per share as all securities reclassified were trading and required, under prior accounting pronouncements, mark-to-market adjustments affecting earnings and earnings per share. The future impact of this pronouncement will be to record normal fluctuations in the fair market value of these securities as adjustments to shareholders' equity.

NOTE B - ACQUISITION OF MANAGER

On July 1, 1997, IndyMac REIT and Countrywide Credit Industries, Inc. ("CCR") completed a transaction whereby IndyMac REIT acquired all of the outstanding stock of its manager, Countrywide Asset Management Corporation ("CAMC"), from CCR in exchange for 3,440,860 new shares of common stock of IndyMac REIT. Following consummation of the transaction, CAMC was merged into IndyMac REIT, and IndyMac REIT became self-managed. IndyMac REIT accounted for this merger as the settlement of its management contract for accounting purposes, which resulted in a non-recurring charge of $76 million.

For tax purposes, the transaction represents a tax-free exchange of shares with CCR; accordingly, the transaction did not have a material effect on IndyMac REIT's taxable income.

NOTE C - LOANS HELD FOR SALE, NET

Substantially all of the loans purchased by IndyMac REIT are fixed-rate and adjustable-rate nonconforming loans secured by first liens on single-family residential properties. Approximately 43% of the principal amount of loans held for sale at December 31, 1998 were collateralized by properties located in California. In 1998, IndyMac REIT purchased loans held for sale with an aggregate principal balance of $12.1 billion and sold loans with an aggregate principal balance of $11.8 billion to IndyMac Operating.

NOTE D - LOANS HELD FOR INVESTMENT, NET

Loans held for investment, net at December 31, 1998 and 1997 were $668.5 million and $1.8 billion, respectively. As of December 31, 1998, outstanding principal balances included $427.2 million of adjustable-rate loans, $234.5 million of fixed rate loans and $26.1 million in manufactured housing loans. As of December 31, 1997, outstanding principal balances included $1.6 billion of adjustable-rate loans, $180.0 million of fixed-rate loans and $29.1 million in manufactured housing loans. In response to the unforeseen fourth quarter 1998 market disruption, IndyMac REIT sold $443.6 million of whole loans from its held for investment portfolio to increase liquidity. The weighted average coupon on loans held for investment increased to 8.4% in 1998 from 7.9% in 1997. Included

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in loans held for investment at December 31, 1998 are $39.3 million of loans on which interest income was not accruing due to the non-performing status of such loans. Non-performing loans at December 31, 1997 totaled $47.0 million.

NOTE E - CONSTRUCTION LOANS

IndyMac REIT's construction lending program consists of CLCA which provides construction, builder custom home, model home, construction-to-permanent, acquisition and development lot loan financing on a nationwide basis to builders, and IndyMac CLD which generally provides the same products as CLCA to IndyMac Operating's third party customers. The carrying amount of builder construction loans was $799.7 million and $603.8 million at December 31, 1998 and 1997, respectively. The carrying amount of consumer construction loans was $468.7 million and $327.0 million at December 31, 1998 and 1997, respectively.

NOTE F - ALLOWANCE FOR LOAN LOSSES

IndyMac REIT's determination of the level of the allowance for loan losses and correspondingly, the provision for loan losses rests upon various judgments and assumptions, including general economic conditions, loan portfolio composition, prior loan loss experience and IndyMac REIT's ongoing examination process. The allowance for loan losses of $50.1 million is considered adequate to cover losses inherent in the loan portfolio at December 31, 1998. However, no assurance can be given that IndyMac REIT will not, in any particular period, sustain loan losses that exceed the allowance, or that subsequent evaluation of the loan portfolio, in light of the factors prevailing, including economic conditions, the credit quality of the assets comprising the portfolio and the ongoing examination process, will not require significant increases in the allowance for loan losses.

The table below summarizes the changes to the allowance for estimated loan losses:
<TABLE>
<CAPTION>

(Dollars in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Balance at January 1	$ 26,682	$15,264	$ 4,331
Provision for the year	35,892	18,622	12,991
Charge-offs, net of recoveries	(12,462)	(7,204)	(2,058)
Balance at December 31	$ 50,112	$26,682	$15,264

</TABLE>

NOTE G - MORTGAGE SECURITIES

The following table summarizes the amortized cost and estimated fair value of mortgage securities classified as available for sale, and the estimated fair value of mortgage securities classified as trading, as of December 31, 1998 and 1997. Contractual maturities on the mortgage securities range from 10 to 30 years.
<TABLE>
<CAPTION>

(Dollars in thousands)	December 31, 1998	December 31, 1997	
	Available-for-sale	Trading	Available-for-sale
<S>	<C>	<C>	<C>
Amortized cost	$253,398	$93,199	$467,252
Gross unrealized gains	317	-	5,711
Gross unrealized losses	(18,683)	-	(7,717)
Estimated fair value	$235,032	$93,199	$465,246

</TABLE>

At December 31, 1998, mortgage securities included $132.2 million of AAA rated interest-only securities, $58.1 million of residual securities, $37.0 million of agency securities, $1.1 million in subordinated securities and $6.6 million in other investment grade securities. As of December 31, 1998 and 1997, all of IndyMac REIT's mortgage securities were pledged as collateral under repurchase agreements.

Prepayment speed assumptions used to value the Company's AAA interest-only securities portfolio are based primarily on historical experience, collateral coupon and seasoning. At December 31, 1998, the average constant prepayment rate assumption over the next twelve months approximated 33%. In addition,

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these valuations incorporated weighted average discount rates ranging from 10% to 12%.

The fair value for IndyMac REIT's residual securities is determined by discounting estimated net future cash flows, using discount rates that approximate current market rates and using current expected prepayment rates. Estimated net future cash flows include assumptions related to expected credit losses on these securities. IndyMac REIT maintains a model that evaluates the default rate on the residual securities' collateral, considering such factors as loss experience, delinquencies, loan to value ratio, borrower credit scores and property type. As of December 31, 1998, the weighted average discount rate ranged from 15% to 20%, and the average constant prepayment rate approximated 25%.

NOTE H - COLLATERAL FOR CMOs

Collateral for CMOs consists primarily of fixed-rate mortgage loans, secured by first liens on single-family residential real estate, and mortgage-backed securities. All principal and interest on the collateral is remitted to a trustee and, together with any reinvestment income earned thereon, is available for payment on the CMOs. Credit risk on the mortgage loans is minimized to an extent, under a pool insurance policy provided by a private mortgage insurer on certain of the CMOs. Furthermore, IndyMac REIT's mortgage-backed securities pledged to secure CMOs are guaranteed as to the repayment of principal and interest of the underlying mortgages by Freddie Mac. The maximum amount of credit risk related to IndyMac REIT's investment in mortgage loans is represented by the outstanding principal balance of the mortgage loans plus accrued interest. The weighted average coupon on collateral for CMOs was 7.6% at both December 31, 1998 and 1997.

NOTE I - REPURCHASE AGREEMENTS AND OTHER CREDIT FACILITIES

Repurchase agreements and other credit facilities consisted of the following at December 31, 1998 and 1997:

(Dollars in thousands)
<TABLE>

<S>	1998 <C>	1997 <C>
Repurchase agreements	$2,942,270	$4,410,798
Revolving credit facility	659,279	415,858
Commercial paper conduit	184,000	-
	$3,785,549	$4,826,656

</TABLE>

Repurchase Agreements

In April 1998, the Company renewed a repurchase facility with Merrill Lynch, Pierce, Fenner & Smith, Inc. and certain of its affiliates, in an aggregate committed principal amount of $2.0 billion, and uncommitted amounts to be determined upon mutual agreement. The agreement is committed for a period of at least two years from the date of execution and currently permits the Company to finance its third party lending operations, mortgage portfolio, warehouse lending, construction lending and manufactured housing lending assets and operations. The repurchase facility carries a floating rate of interest based on the London Interbank Offered Rates ("LIBOR"), plus an applicable margin, which varies by the type of asset financed. The Company is permitted to borrow additional uncommitted amounts under this repurchase facility, and as of December 31, 1998, the total balance of outstanding loans from Merrill Lynch was $2.8 billion, of which $2.4 billion were outstanding borrowings by IndyMac REIT.

In June 1998, the Company renewed a repurchase facility with PaineWebber Real Estate Securities, Inc. in an aggregate principal amount of $500 million. Such repurchase facility is committed for a two-year period from the date of execution and currently permits the Company to finance its third party lending operations, warehouse lending and mortgage portfolio assets and operations. Such repurchase facility carries a floating rate of interest based on LIBOR, plus an applicable margin, which varies by the type of repurchase facility. The Company is permitted to borrow additional uncommitted amounts under this repurchase facility, and as of December 31, 1998, the total balance of outstanding loans from PaineWebber Real Estate Securities, Inc. was $488 million, of which $463 million were outstanding borrowings by IndyMac REIT.

At December 31, 1998, substantially all of the Company's mortgage loans, manufactured housing loans, home improvement loans, and revolving warehouse lines of credit were pledged to secure the Company's borrowings under repurchase facilities. The amount outstanding at December 31, 1998 under IndyMac REIT's repurchase facilities was $3.1 billion. These facilities generally reprice on an overnight to one month basis.

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IndyMac Operating may borrow under each of the Company's agreements as a co-borrower. As a condition of this co-borrower agreement, IndyMac REIT obtains from IndyMac Operating a guarantee fee equal to 75 basis points. As of December 31, 1998, IndyMac Operating had $787 million outstanding under repurchase agreements.

NOTE I - REPURCHASE AGREEMENTS AND OTHER CREDIT FACILITIES (CONTINUED)

These repurchase agreements bear interest at rates indexed to LIBOR or the federal funds rate, plus an applicable margin. For the months ending December 31, 1998 and 1997, the weighted average borrowing rate on these repurchase agreements was 5.9% and 6.2%, respectively. None of the counterparties is affiliated with the Company. At December 31, 1998, the Company was in compliance with all material representations, warranties and covenants under its repurchase agreements.

Revolving Credit Facility

In May 1995, the Company entered into a two-year committed credit facility with a syndicate of nine commercial banks led by First Union National Bank. This facility primarily finances mortgage loans, construction loans, and servicing and master servicing assets. The interest rates under this credit facility are based, at the Company's election, on LIBOR or the federal funds rate, plus an applicable margin, which varies by the type of asset financed. On February 25, 1998, the Company amended this facility, by among other things, increasing the available committed borrowings from $500 million to $900 million, expanding the types of collateral which can be financed thereunder and extending the term of the commitment to three years. For the months ending December 31, 1998 and 1997, the weighted average borrowing rate under this facility was 5.3% and 6.5%, respectively. At December 31, 1998, the Company was in compliance with all material representations, warranties and covenants under this revolving credit facility. IndyMac Operating may borrow under this facility as a co-borrower. As of December 31, 1998, IndyMac Operating had $89 million outstanding in borrowings under this facility.

Commercial Paper Conduit

In December 1998, IndyMac REIT entered into a $200 million commercial paper conduit facility with Bank of America (formerly NationsBank). This facility finances residential builder construction loans at a floating interest rate based on the prevailing commercial paper market.

NOTE J - COLLATERALIZED MORTGAGE OBLIGATIONS

Collateralized mortgage obligations are secured by a pledge of mortgage loans, mortgage-backed securities and residual cash flows from such securities. As required by the indentures relating to the CMOs, the pledged collateral is held in the custody of trustees. The trustees collectively also held investments in GICs amounting to $2.1 million and $2.4 million on the CMO collateral as of December 31, 1998 and 1997, respectively, as additional collateral which is legally restricted to use in servicing the CMOs. The trustees collect principal and interest payments on the underlying collateral, reinvest such amounts in the GICs, and make corresponding principal and interest payments on the CMOs to the bondholders. Each series is subject to redemption according to specific terms of the respective indentures. As a result, the actual maturity of any class of a CMO series may occur earlier than its stated maturity, which ranges from the year 2000 to 2025.

The weighted average coupon on CMOs was 7.2% and 7.3% at December 31, 1998 and 1997, respectively. IndyMac REIT's investment in CMO residuals amounted to $22 million and $24 million at December 31, 1998 and 1997, respectively.

NOTE K - SENIOR UNSECURED NOTES

In October 1995, the Company completed the private placement of senior unsecured notes in the aggregate amount of $60.5 million with certain institutional lenders. The notes bear interest at 8.9% and mature October 15, 2002. The notes require principal repayment in three equal installments of $20.2 million on October 15 in each of 2000, 2001 and 2002. The notes are carried net of discount and issuance costs which are amortized to interest expense over the life of the notes using the interest method. The effective interest rate on the notes, including discount and costs of issuance is 9.2%.

NOTE L - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the estimated fair values of the various classes of financial instruments held by IndyMac REIT as of December 31, 1998 and 1997. The estimated fair value amounts have been determined by IndyMac REIT using

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available market information and valuation methodologies which the Company believes are appropriate under the circumstances. These estimates are inherently subjective in nature and involve matters of significant uncertainty and judgment to interpret relevant market and other data. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

<TABLE>
<CAPTION>

(Dollars in thousands)	December 31, 1998		December 31, 1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Assets:				
Loans held for sale	$1,555,656	$1,555,656	$1,458,271	$1,458,271
Loans held for investment				
Mortgage loans	643,551	672,585	1,801,014	1,832,161
Manufactured housing loans	24,972	26,115	30,033	30,169
Construction loans receivable	1,447,203	1,447,203	946,806	946,806
Warehouse lines of credit	443,946	443,946	512,458	512,458
Mortgage securities	235,032	235,032	558,445	558,445
Collateral for CMO's	162,726	166,035	245,474	248,422
Liabilities:				
Repurchase agreements and other credit facilities	3,785,549	3,785,549	4,826,656	4,826,656
Collateralized mortgage obligations	140,810	143,868	221,154	222,269
Senior unsecured notes	60,031	65,094	59,888	63,504
Off-balance sheet gains (losses):				
Interest rate swaps	-	(186)	-	(284)

</TABLE>

The fair value estimates as of December 31, 1998 and 1997 are based on pertinent information available to management as of those dates. The estimates have not been comprehensively reevaluated or updated since those dates for purposes of these financial statements and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following describes the methods and assumptions used by IndyMac REIT in estimating fair values:

Loans Held for Sale. In connection with the Master Forward Commitment and Services Agreement between IndyMac REIT and IndyMac Operating, whereby mortgage loans originally purchased by IndyMac REIT are committed for sale to IndyMac Operating at the same price at which the loans were acquired by IndyMac REIT, carrying value is equivalent to estimated fair value.

Loans Held for Investment. Fair value is estimated using either prices offered by the Company for similar types of loans or quoted market prices from dealers and brokers for similar types of loans.

Construction Loans and Warehouse Lines of Credit. Fair values approximate the carrying amounts of each of the aforementioned assets due to their respective short-term nature or short-term repricing characteristics.

Mortgage Securities. Fair value is estimated using quoted market prices and by discounting future cash flows using discount rates that approximate current market rates and prepayment expectations for securities with the same or similar characteristics.

Collateral for CMOs. Fair value is estimated using either offer prices by the Company for similar types of loans or quoted market prices from dealers and brokers for loans and for securities backed by similar types of loans.

Collateral for CMOs cannot be sold until the related obligations mature or are otherwise paid or redeemed. As a consequence, the aggregate market values indicated above may not be realizable. As a REIT, IndyMac REIT's ability to sell these assets for a gain also is subject to restrictions under the Internal Revenue Code and any such sale may result in substantial and even punitive additional tax liability.

Repurchase Agreements and Other Credit Facilities. Fair values approximate the carrying amounts for repurchase agreements with remaining maturities of one year or less.

Collateralized Mortgage Obligations. Fair value is estimated using cash flow analyses based on current interest rates and prepayment expectations.

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Senior Unsecured Notes. Fair values are estimated by discounting future cash flows using rates currently available to IndyMac REIT for debt with similar terms and remaining maturities.

Short-Term Commitments to Extend Credit. There are currently no commitment fees associated with IndyMac REIT's lines of credit extended under the warehouse lending program. Accordingly, these commitments do not have an estimated fair value.

Commitments to Purchase and Sell Loans. There is no fair value of commitments to purchase loans as all loans committed for purchase by IndyMac REIT are committed for sale to IndyMac Operating at IndyMac REIT's purchase price.

Interest Rate Swaps. Fair value is estimated using discounted cash flow analyses based on current market yields for similar instruments and remaining maturities.

NOTE M - COMMITMENTS AND CONTINGENCIES - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, IndyMac REIT is a party to financial instruments with off-balance sheet risk. These financial instruments include short-term commitments to extend credit to borrowers which involve elements of credit risk.

Additionally, IndyMac REIT is exposed to credit losses in the event of nonperformance by counterparties to the various agreements associated with loan purchases. However, IndyMac REIT does not anticipate nonperformance by such borrowers or counterparties. Unless noted otherwise, IndyMac REIT does not require collateral or other security to support such commitments.

IndyMac REIT also uses interest rate swaps to help manage interest rate risk. While IndyMac REIT does not anticipate nonperformance by the counterparties, the Company manages credit risk with respect to such financial instruments by entering into agreements with entities approved by senior management and initially having a long-term credit rating of single A or better (by one or more nationally recognized credit rating agencies) at the time the relevant swap is consummated. These entities are Wall Street firms having primary dealer status. The Company's exposure to credit risk in the event of default by the counterparty is the difference between the contract price and the current market price of the instrument being utilized. Unless noted otherwise, the Company does not require collateral or other security to support financial instruments with credit risk with approved counterparties.

The following types of commitments were outstanding at year-end:

Commitments to Purchase and Sell Loans. As of December 31, 1998 and 1997, IndyMac REIT had entered into commitments to purchase loans totaling $498 million and $743 million, respectively, subject to origination or acquisition of such loans by various approved originators. In addition, as of December 31, 1998 and 1997, IndyMac REIT had committed to sell $2.1 billion and $2.2 billion, respectively, of loans to IndyMac Operating. After the purchase and sale of the loans, IndyMac REIT's exposure to credit loss in the event of nonperformance by the mortgagor is limited.

NOTE M - COMMITMENTS AND CONTINGENCIES - FINANCIAL INSTRUMENTS WITH OFF - BALANCE SHEET RISK (CONTINUED)

Construction Lending Credit Commitments. At December 31, 1998 and 1997, IndyMac REIT had aggregate undisbursed construction loan commitments totaling $1.1 billion and $888 million, respectively.

Revolving Warehouse Credit Commitments. IndyMac REIT's warehouse lending program provides secured short-term revolving financing to small and medium-size mortgage originators to finance mortgage loans from the closing of the loans until they are sold to permanent investors. At December 31, 1998 and 1997, IndyMac REIT had extended lines of credit under this program in the aggregate amount of $1.1 billion and $768 million, respectively, of which $447 million and $512 million, respectively, was outstanding.

Interest Rate Swaps. As of December 31, 1998 and 1997, IndyMac REIT has one interest rate swap agreement with certain securities dealers with a combined notional amount of $25 million. The effect of these agreements is to convert a portion of short-term repurchase agreement financing to a medium-term fixed rate borrowing facility. IndyMac REIT pays a weighted average fixed interest rate of 6.2% and receives a floating interest rate based on the one month LIBOR. The weighted average floating rate at December 31, 1998 was 5.6%. This contract expires in October 1999.

NOTE N - BENEFIT PLANS

Stock Option Plans

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IndyMac REIT has two stock option plans (the "Plans") that provide for the granting of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, performance stock awards, and stock bonuses to employees of the Company (including officers and directors). Options are granted at the average market price of the Company's common stock on the date of grant, and vest over varying periods beginning at least one year from the date of grant, and expiring five or ten years from date of grant.

Under IndyMac REIT's 1998 Stock Option Plan ("1998 Plan"), 473,287 restricted stock awards were granted (of which 161,278 restricted stock awards were granted to IndyMac Operating employees during 1998), for a fair market value of $7.3 million and a weighted average share price of $15.45. As of December 31, 1998 there were 465,821 awards outstanding. Awards forfeited during 1998 were 7,466. Paid-in capital in excess of par and unearned compensation was recorded for the fair market value of the awards issued. Unearned compensation is being amortized to compensation expense over the vesting period, not exceeding five years, and is shown as a reduction in shareholders' equity. Total compensation expense for IndyMac REIT during 1998 related to these awards was $432,000.

On December 14, 1998, the Company repriced 2,895,326 stock options. At the repricing date, approximately 50% of such stock options were repriced at $9.78 or fair market value, 25% of such stock options were repriced at $12.22 or 125% of fair market value, and the remaining 25% of such stock options were repriced at $14.67 or 150% of fair market value. Management believes such repricing was necessary to preserve the incentive originally intended, and was in response to the decline in the Company's stock price precipitated by the market disruption in the fourth quarter 1998 which negatively affected substantially all mortgage companys' stock prices. In accordance with the provisions of SFAS 123, the fair value compensation cost of the repriced options was included in the determination of pro forma earnings for 1998 presented below.

As of December 31, 1998, options to purchase 820,574 shares were exercisable. Additionally, there were 5,772,431 shares reserved for options outstanding and future award grants under the plans as of December 31, 1998. Stock option transactions for the years ended December 31, 1998, 1997 and 1996, respectively, are summarized as follows:

<TABLE>
<CAPTION>

	Number of Shares		
	1998	1997	1996
<S>	<C>	<C>	<C>
Options outstanding at beginning of year	2,610,791	1,493,839	801,665
Options granted	4,833,200	1,517,969	1,163,247
Options exercised	(1,081,225)	(312,612)	(403,421)
Options canceled	(3,202,242)	(88,405)	(67,652)
Options outstanding at end of year	3,160,524	2,610,791	1,493,839

</TABLE>

<TABLE>
<CAPTION>

	Weighted Average Exercise Price		
	1998	1997	1996
<S>	<C>	<C>	<C>
Options outstanding at beginning of year	$20.03	$16.36	$10.29
Options granted	16.26	22.51	18.04
Options exercised	18.18	14.33	9.30
Options canceled	22.46	20.79	15.36
Options outstanding at end of year	$12.45	$20.03	$16.36

</TABLE>

The following summarizes information about fixed stock options outstanding at December 31, 1998:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining	Weighted Average	Number Exercisable	Weighted Average

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Range of Exercise Prices	At Period End	Contractual Life	Exercise Price	At Period End	Exercise Price
$ 8.69 - $ 9.78	1,446,656	6.51	$ 9.78	450,264	$ 9.77
$11.63 - $12.22	724,758	8.24	12.22	49,500	12.22
$14.63 - $14.67	722,871	5.27	14.67	168,512	14.67
$15.50 - $23.94	266,239	5.79	21.62	152,298	20.29
$ 8.69 - $23.94	3,160,524	6.56	$12.45	820,574	$12.88

Had compensation expense been recorded in accordance with SFAS 123, the Company's net after tax earnings and earnings per share would have been as follows:

(Dollars in thousands, except per share data)

	Year ended December 31,		
	1998	1997	1996
Net Earnings			
As reported	$33,790	$24,295	$68,987
Pro forma	30,041	21,666	67,796
Basic Earnings Per Share			
As reported	$ 0.48	$ 0.43	$ 1.51
Pro forma	$ 0.43	$ 0.39	$ 1.49
Diluted Earnings Per Share			
As reported	$ 0.48	$ 0.43	$ 1.50
Pro forma	$ 0.43	$ 0.38	$ 1.48

NOTE N - BENEFIT PLANS (CONTINUED)

The number of options granted to IndyMac Operating employees and included in the above calculation were 1,618,291, 438,589, and 224,760 for 1998, 1997, and 1996, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model modified to consider cash dividends to be paid. The following weighted average assumptions were used for grants in 1998, 1997, and 1996, respectively: dividend yield of 8%, 8% and 9%; expected volatility of 21%, 30% and 30%; risk-free interest rates of 4.6%, 6.2% and 6.3% and expected lives of three years for options granted in all three years. The average fair value of options granted during 1998, 1997 and 1996 was $1.08, $3.24 and $2.33, respectively.

Pension Plan

In 1998, the Company adopted a defined benefit pension plan (the "Plan") covering substantially all of its employees. The Company's policy is to contribute the amount actuarially determined to be necessary to pay the benefits under the Plan, and in no event to pay less than the amount necessary to meet the minimum funding standards of ERISA. The weighted average assumptions used in calculating the Plan's status as of December 31, 1998 were a discount rate of 6.75%, an expected rate of return on Plan assets of 8.00%, and compensation increases of 4.00%. Pension expense was $187,000 for 1998, consisting of a service cost of $157,000, an interest cost of $17,000, and an expected return on Plan assets of $13,000. The accrued benefit cost at December 31, 1998 was $187,000, comprised of an unfunded status of $488,000 offset by unrecognized net actuarial loss of $234,000, and unrecognized prior service cost of $67,000.

NOTE O - RELATED PARTY TRANSACTIONS

IndyMac Operating has a revolving credit facility and term borrowings up to one year with IndyMac REIT whereby funds are advanced to IndyMac Operating primarily to finance assets in which IndyMac Operating invests. As of December 31, 1998 and 1997, advances due to IndyMac REIT from IndyMac Operating totaled $196 million and $118 million, respectively. Such advances bear interest at rates indexed to LIBOR. Interest charged on advances by IndyMac REIT to IndyMac Operating was at a rate of 9.3% at December 31, 1998 and 10.5% at December 31, 1997.

Prior to July 1, 1997, IndyMac REIT operated under an agreement (the "Management Agreement") with CAMC (the "Manager" or "CAMC") to advise IndyMac REIT on

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various facets of its business and manage its operations, subject to review and supervision by the outside directors on IndyMac REIT's Board of Directors. The Manager had entered into a subcontract with its affiliate, Countrywide Home Loans, Inc. ("CHL"), to perform such services for IndyMac REIT as the Manager deemed necessary. For performing these services, the Manager received (1) a base management fee of 0.125% per annum of average invested mortgage-related assets not pledged to secure CMOs and excluding loans held for sale, (2) a separate management fee equal to 0.2% per annum of the average amounts outstanding under traditional warehouse lines of credit, and (3) incentive compensation equal to 25% of the amount by which IndyMac REIT's annualized return on equity exceeded the ten-year U.S. Treasury Rate plus 2%. IndyMac REIT paid management fees totaling $4.4 million and $8.8 million for the years ended December 31, 1997 and 1996, respectively.

Prior to July 1, 1997, the Manager incurred many of the operating expenses of the Company, including personnel and related expenses, subject to full reimbursement by the Company. The Company's third party lending operations are primarily conducted by IndyMac Operating and all other operations are primarily conducted by IndyMac REIT. Accordingly, IndyMac Operating incurs the majority of the third party lending operation's costs and IndyMac REIT incurs the other operations' costs.

Prior to July 1, 1997, the Company reimbursed CHL for direct and indirect expenses incurred by CHL on behalf of the Company. Since the allocation of indirect expenses involves some judgment, the following highlights the amounts allocated and the methods used for the six months ended June 30, 1997 and the year ended December 31, 1996:

(Dollars in thousands)
<TABLE>
<CAPTION>

<S>	1997 <C>	1996 <C>
Data Processing	$1,008	$1,549
Occupancy	936	1,268
Human Resources	50	100
	$1,994	$2,917

</TABLE>

Data processing and human resource charges were allocated on the basis of the number of employees. Occupancy charges were allocated on the basis of square footage occupied by the Company. The majority of these expenses were allocated to IndyMac Operating as they related primarily to the Company's third party lending operations.

As part of its acquisition of CAMC, the Company entered into a Cooperation Agreement with CCR whereby certain services previously provided to the Company by CCR and its affiliates would be provided during a transition period. The Cooperation Agreement specifies certain costs for the Company to pay CCR for services during the transition period. Between July 1, 1997 and December 31, 1997, the Company incurred $2.2 million of charges from CCR and its affiliates associated with the Cooperation Agreement. In 1998, total expenses incurred under the Cooperation Agreement were $421,000. IndyMac REIT incurred certain other expenses in 1998 related to telephone usage and equipment, and delivery services of $1.1 million which it paid during the year to CCR.

During 1997, the Company entered into a sublease agreement for its corporate headquarters with CCR, while at the same time, CCR subleased space from the Company in the Company's former headquarters. As a result, the Company paid CCR $2.6 million and $1.1 million in 1998 and 1997, respectively, and received $189,000 in 1997 for lease and sublease payments from CCR.

During 1998 and 1997, IndyMac REIT purchased approximately $418.4 million and $2.7 million respectively, in non-conforming mortgage loans from CHL.

In 1987 and 1993, IndyMac REIT entered into servicing agreements appointing CHL as servicer of pools of mortgage loans collateralizing three series of CMOs with outstanding balances of approximately $37.7 million at December 31, 1998. CHL is entitled to an annual fee of up to 0.32% of the aggregate unpaid principal balance of the pledged mortgage loans. Servicing fees received by CHL under such agreements were approximately $132,000, $186,000 and $200,000 in 1998, 1997 and 1996, respectively.

CHL is a wholly-owned subsidiary of CCR, a diversified financial services company whose shares of common stock are traded on the New York Stock Exchange (symbol: CCR). CCR owned 4,420,860 shares, or 5.8%, of IndyMac REIT's common stock at December 31, 1998. CHL owns all of the common stock and has a 1%

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economic interest in IndyMac Operating.

The Company, through CLCA, has from time to time made loans to builders of residential construction projects, secured by real property, purchased by such builders from a company doing business as Loeb Enterprises, LLC, in which IndyMac REIT's chairman and former chief executive officer, Mr. David S. Loeb, is a major investor together with his family. The non-family executive managers of Loeb Enterprises, LLC, who run the day-to-day operations of Loeb Enterprises, LLC, own approximately 34% of the equity and profits of that company. Each project is part of a master planned community being developed by Loeb Enterprises, LLC, which includes various amenities.

In connection with two of the real property sales transactions between Loeb Enterprises, LLC and the builders to which CLCA has made construction loans, Loeb Enterprises, LLC has accepted a second mortgage from each builder to partially finance each builder's purchase of real property. As part of CLCA's credit review of each project with a second mortgage, the amount of the second mortgage was considered a part of the equity of the builder in the project. In

each case, the second mortgage is subordinate to CLCA's financing facility, although both the CLCA financing facility and the second mortgage are paid down on a unit-by-unit basis.

In the case of each project financed by CLCA, the builder is not affiliated with either the Company or Loeb Enterprises, LLC, the general risk characteristics of the construction loan are comparable to those for similar projects funded by CLCA, and the construction loan facility between CLCA and the builder has been negotiated at arms length on terms consistent with those of similar loans made by CLCA to other unaffiliated builders. Moreover, each credit facility has been approved by the disinterested members of the Board of Directors of IndyMac REIT.

As of December 31, 1998, CLCA had extended nine construction loan facilities to builders secured by property, originally purchased from Loeb Enterprises, LLC, with total dollar commitments of $27.9 million, and total loans outstanding of $12.6 million. Loeb Enterprises, LLC, has posted a bond for the completion of certain infrastructure improvements, such as arterial roads, drainage, and utilities in the portion of the master planned community in which builders are currently building, and these improvements have been substantially completed. In addition, the builders are contractually responsible to the city of Sparks, Nevada for certain other improvements such as roads, drainage, and utilities, within the specific subdivisions of property they have purchased.

In addition to the foregoing loans, in May 1998, CLCA made a land and water rights acquisition loan, secured by among other things, approximately 42,000 acres of real property, to Coyote Springs Investment LLC, a Nevada limited liability company, in which Mr. Loeb and his wife hold a 45% interest and for which Mr. Loeb acts as a managing member. The remaining 55% interest in the limited liability company is held by members who are not affiliated with Mr. Loeb or IndyMac REIT. The loan is personally guaranteed by Mr. Loeb and his wife. The property is intended to be used by the limited liability company to develop a master planned community. The general risk characteristics of the loan are comparable to other loans funded by CLCA, and was negotiated at arms length. Under the terms of the loan, interest is paid monthly, with annual scheduled principal reductions. The original principal loan amount was $11.2 million which amount remained outstanding as of December 31, 1998. The primary source of repayment of the loan is derived from the income generated from the sale of water rights to a local municipality. The terms of the loan have been disclosed to and approved by the disinterested members of the Board of Directors of IndyMac REIT.

NOTE P - SEGMENT REPORTING

On December 31, 1998, the Company adopted SFAS 131. SFAS 131 requires that selected information about the Company's operating segments be disclosed in annual and interim reports. SFAS 131 requires that information reported about each segment be measured on the same basis as the information used internally by the Company. IndyMac REIT reportable operating segments include Mortgage Banking, Investments and Lending.

The Mortgage Banking segment purchases jumbo and non-conforming mortgage loans from third party originators of mortgage loans and also engages in financing manufactured housing loans and home improvement loans. Mortgage loans purchased by IndyMac REIT are generally committed for sale and sold to IndyMac Operating pursuant to the terms of a Master Forward Commitment and Services Agreement. These loans are then securitized through the issuance of mortgage-backed securities in the form of REMICs, or resold in bulk whole loan sales to permanent investors. The Mortgage Banking segment's primary source of income is the net spread between interest earned on loans and the interest cost associated with the borrowings used to finance such loans pending their sale to IndyMac Operating.

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The Investment segment invests in residential loans on a long-term basis and also in securities. The Investment segment's principal source of income is the net spread between interest earned on residential loans held for investment and on mortgage securities and the interest cost associated with the borrowings used to finance such assets.

NOTE P - SEGMENT REPORTING (CONTINUED)

The Lending segment offers a variety of construction term loan programs, residential construction, land and lot loan programs for builders and developers and third party customers through its CLCA, CLD and Income Property divisions. This segment also engages in secured warehouse lending operations. The Lending segment's principal source of income is the net spread between the interest earned on loans and the interest cost associated with the borrowings used to finance such loans.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that the segment reporting data includes allocations of certain income and expense accounts of IndyMac REIT in order to present to the reader the operating segments as reviewed and managed by the Company's chief operating decision maker.

IndyMac Operating is accounted for by IndyMac REIT in a method similar to the equity method. At December 31, 1998, the total investment by IndyMac REIT in IndyMac Operating was $279.7 million. For the twelve months ended December 31, 1998 IndyMac Operating contributed a loss of $58.2 million to IndyMac REIT.

NOTE P - SEGMENT REPORTING (CONTINUED)

Segment information for the years ended December 31, 1998, 1997, and 1996 were as follows:

<TABLE>
<CAPTION>

(Dollars in thousands)	Mortgage Banking	Investments	Lending	Adjustment	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
1998					
Net interest income	$ 56,942	$ 22,619	$ 76,524	$ 17,381	$ 173,466
Net revenues	44,713	(13,719)	72,933	(40,851)	63,076
Net earnings (loss)	41,462	(16,888)	50,067	(40,851)	33,790
Assets as of December 31, 1998	$1,617,588	$1,059,112	$2,091,562	$ 82,890	$4,851,152
1997					
Net interest income	$ 34,095	$ 29,360	$ 44,999	$ 10,075	$ 118,529
Net revenues	37,040	17,248	43,859	28,489	126,636
Net earnings (loss)	33,466	13,878	24,462	(47,511)	24,295
Assets as of December 31, 1997	$1,514,374	$2,663,093	$1,485,928	$185,715	$5,849,110
1996					
Net interest income	$ 22,907	$ 31,428	$ 20,927	$ 7,676	$ 82,938
Net revenues	23,296	20,472	20,973	27,209	91,950
Net earnings	18,327	15,569	7,882	27,209	68,987
Assets as of December 31, 1996	$ 710,738	$1,752,251	$ 722,461	$170,609	$3,356,059

</TABLE>

NOTE Q - SUBSEQUENT EVENTS

On January 22, 1999, the Board of Directors declared a $0.38 cash dividend per share payable on March 8, 1999 to shareholders of record on February 1, 1999.

In January 1999, the Company entered into a one-year committed repurchase facility with Morgan Stanley Mortgage Capital Inc. in an aggregate principal amount of $500 million. The repurchase facility carries a floating rate of interest based on LIBOR, plus an applicable margin, which varies by type of asset financed. As of January 31, 1999, the total balance of outstanding loans from this repurchase facility was $285 million.

NOTE R - QUARTERLY FINANCIAL DATA - UNAUDITED

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Selected quarterly financial data follows for the years 1998 and 1997:

(Dollars in thousands, except per share data)
<TABLE>
<CAPTION>

	Three Months Ended			
	March 31	June 30	September 30	December 31
<S>	<C>	<C>	<C>	<C>
1998				
Net revenues	$39,037	$42,824	$ 46,140	$(64,925)
Net earnings (loss)	32,564	35,932	39,023	(73,729)
Earnings (loss) per share (2):				
Basic	$0.50	$0.53	$0.54	$(0.98)
Diluted	0.50	0.53	0.54	(0.98)
Dividends declared	0.50	0.53	0.38	0.38
1997				
Net revenues	$28,739	$29,659	$ 32,893	$ 35,345
Net earnings (loss)	21,345	22,656	(48,876)	29,170
Earnings (loss) per share (1):				
Basic	$0.42	$0.43	$(0.83)	$0.48
Diluted	0.41	0.42	(0.83)	0.48
Dividends declared	0.42	0.43	0.46	0.48

</TABLE>

(1) Earnings (loss) per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share may not equal the total for the year.

INDYMAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE
December 31, 1998
(Dollars in thousands)

<TABLE>
<CAPTION>

	Column A	Column B	Column C	Column D	Column E	Column F
Range of Carrying Amounts of Mortgages	Number of Loans (1)	Prior Liens (1)	Carrying Amount of Mortgages (1-5)(7)(9)	Principal Amount of Loans Subject to Delinquent Principal or Interest (1)	Amount of Mortgage Being Foreclosed (1)(8)	Range of Interest Rates (1)(6)
<S>	<C>		<C>	<C>	<C>	<C>
$ 0-$50	8,589		$ 253,773	$ 3,584	$ 1,007	6.750 - 18.990
51-100	4,058		295,461	14,479	5,271	5.750 - 14.990
101-150	2,447		303,878	16,560	4,493	5.750 - 14.375
151-200	1,502		260,851	17,298	4,872	5.750 - 13.300
201-250	1,061		237,981	18,147	4,453	5.750 - 13.000
251-300	681		187,040	9,507	1,932	6.250 - 12.750
301-350	351		114,081	7,727	954	5.250 - 12.125
351-400	235		87,904	6,729	358	5.375 - 11.125
401-450	102		43,526	3,837	425	6.375 - 12.750
451-500	116		55,036	3,784	1,478	6.200 - 10.875
501-550	52		27,444	1,096	-	6.250 - 11.125
551-600	61		34,946	1,682	-	6.200 - 10.850
601-650	59		37,169	3,123	1,253	6.350 - 11.125
651-700	17		11,692	-	-	5.875 - 8.875
701-750	16		11,759	2,209	-	6.950 - 12.750
751-800	18		14,107	758	-	7.250 - 9.625
801-850	13		10,840	1,671	-	7.250 - 11.625
851-900	18		15,785	2,624	-	7.250 - 10.750
901-950	6		5,576	-	-	7.000 - 9.250
951-1,000	42		41,285	4,875	-	6.350 - 9.875
over 1,000	141	-	271,032	23,582	-	6.200 - 10.375
	19,585	-	$2,321,166	$143,272	$26,496	
Net premiums			18,936			
			$2,340,102			

</TABLE>

(1) The above amounts are for the Company including both IndyMac REIT and IndyMac Operating.
(2) All mortgage loans are fixed or adjustable-rate, conventional mortgage

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loans secured by single (one-to-four) family residential properties with initial maturities of 15 to 30 years.

(3) Total mortgage loans were comprised of $1,534,392 of mortgage loans held for sale, $661,769 of mortgage loans held for investment, and $125,005 of whole loans pledged as collateral for CMOs.

(4) Information with respect to the geographic breakdown of first mortgages on single family residential housing as of December 31, 1998 is as follows: California 48% with no other state comprising more than 7%.

(5) The aggregate cost for federal income tax purposes is $2,340,102.

(6) Interest earned on mortgages by range of carrying amounts is not reasonably obtainable.

(7) $418.4 million of mortgage loans purchased during 1998 were acquired from CHL, an affiliate of the Company.

(8) Of the total amount of mortgages being foreclosed, $15,850 is related to mortgage loans held for investment,
$10,350 is related to mortgage loans held for sale and $296 is related to collateral for CMOs.

<TABLE>
<CAPTION>

<S>	<C>	<C> The Company	<C>	<C> IndyMac REIT Only
(9) Balance at beginning of period		$ 3,228,901		$ 3,189,386
New mortgage loans		12,019,278		12,019,278
		15,248,179		15,208,664
Deductions during period:				
Sales of mortgage loans	11,748,821		11,828,887	
Collections of principal	1,178,192	12,927,013	1,249,804	13,078,691
Balance at close of period		$ 2,321,166		$ 2,129,973

</TABLE>

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
IndyMac, Inc.

We have audited the accompanying consolidated balance sheets of IndyMac, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IndyMac, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ GRANT THORNTON LLP

Los Angeles, California
February 26, 1999

INDYMAC, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

<TABLE>

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<CAPTION>

	December 31,	
	1998	1997
<S>	<C>	<C>
ASSETS		
Loans held for sale, net		
Mortgages-prime	$ 90,855	$ 36,220
Mortgages-subprime	18,539	38,697
Manufactured housing	27,684	23,917
Home improvement	73,008	-
	210,086	98,834
Mortgage securities	398,094	524,517
Treasury securities	302,313	77,152
Mortgage servicing rights	127,229	72,784
Other assets	65,074	47,766
Total assets	$1,102,796	$821,053
LIABILITIES AND SHAREHOLDERS' EQUITY		
Repurchase agreements and other credit facilities	$ 786,545	$578,763
Due to IndyMac REIT	196,154	117,917
Income taxes payable	-	41,777
Accounts payable and accrued liabilities	35,714	14,114
Total liabilities	1,018,413	752,571
Shareholders' equity		
Series A preferred stock authorized, 10,000 Shares of $.05 par value; issued and Outstanding, 9,900 shares	-	-
Common stock authorized, 10,000 shares of $.01 par value; issued and outstanding, 100 shares	-	-
Additional paid in capital	108,116	32,476
Accumulated other comprehensive income (loss)	(414)	506
Cumulative earnings	1,681	60,500
Cumulative distributions to shareholders	(25,000)	(25,000)
Total shareholders' equity	84,383	68,482
Total liabilities and shareholders' equity	$1,102,796	$821,053

</TABLE>

The accompanying notes are an integral part of these statements.

INDYMAC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)

<TABLE>
<CAPTION>

	Years ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
REVENUES			
Interest income			
Loans held for sale			
Mortgages-prime	$ 6,761	$ 7,197	$ 3,725
Mortgages-subprime	3,176	5,354	1,130
Manufactured housing	2,464	1,339	-
Home improvement	1,597	-	-
	13,998	13,890	4,855
Mortgage securities	29,733	36,822	35,553

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Treasury securities	12,193	140	-
Total interest income	55,924	50,852	40,408
Interest expense			
Repurchase agreements and other credit facilities	39,830	38,736	30,204
Advances from IndyMac REIT	17,381	10,075	7,676
Total interest expense	57,211	48,811	37,880
Net interest income (expense)	(1,287)	2,041	2,528
Provision for loan losses	442	152	-
Net interest income (expense) after provision for loan losses	(1,729)	1,889	2,528
Net gain on mortgage loans and securities	3,238	71,725	51,692
Servicing fee income	1,587	12,940	8,880
Loss on sale of assets	(9,316)	-	-
Other income	17,200	3,422	1,809
Net revenues	10,980	89,976	64,909
EXPENSES			
Salaries and related	66,138	32,611	20,562
General and administrative	47,136	23,903	10,656
Management fees to affiliate	-	757	2,075
Total expenses	113,274	57,271	33,293
Earnings (loss) before income tax provision (benefit)	(102,294)	32,705	31,616
Income tax provision (benefit)	(43,475)	13,898	13,548
NET EARNINGS (LOSS)	$ (58,819)	$18,807	$18,068

</TABLE>

The accompanying notes are an integral part of these statements.

INDYMAC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands)

<TABLE>
<CAPTION>

	Years ended December 31,					
	1998		1997		1996	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Cumulative earnings						
Balance, beginning of year	$ 60,500		$ 41,693		$ 23,625	
Net earnings (loss)	(58,819)	$(58,819)	18,807	$18,807	18,068	$ 18,068
Balance, end of year	1,681		60,500		41,693	
Cumulative distribution to shareholders						
Balance, beginning of year	(25,000)		(25,000)		-	
Dividends paid	-		-		(25,000)	
Balance, end of year	(25,000)		(25,000)		(25,000)	
Accumulated other comprehensive Income (loss)						
Balance, beginning of year	506		(8,512)		2,927	
Unrealized gain (loss) on securities		(920)		9,018		(11,439)
Other comprehensive income (loss)	(920)	(920)	9,018	9,018	(11,439)	(11,439)
Comprehensive income (loss)		$(59,739)		$ 9,789		$ 6,629
Balance, end of year	(414)		506		(8,512)	
Additional paid-in capital						
Balance, beginning of year	32,476		32,476		32,476	

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Capital contribution	75,000	-	-
Deferred compensation	640	-	-
Common stock issued	-	-	-
Common stock options exercised	-	-	-
Balance, end of year	108,116	32,476	32,476
Total shareholders' equity	$ 84,383	$ 68,482	$ 40,657

</TABLE>

The accompanying notes are an integral part of these statements.

INDYMAC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

<TABLE>
<CAPTION>

	Years ended December 31,		
	1998	1997	1996
Cash flows from operating activities:			
<S>	<C>	<C>	<C>
Net earnings (loss)	$ (58,819)	$ 18,807	$ 18,068
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Amortization and depreciation	108,051	34,692	57,626
Net gain on sale of mortgage loans and securities	(3,238)	(71,725)	(51,692)
Provision for loan losses	442	152	-
Purchases of loans from IndyMac REIT	(11,447,302)	(4,106,645)	(3,523,655)
Principal repayments and sale of loans	11,440,445	4,198,108	3,578,966
Net purchases of manufactured housing loans held for sale	(4,074)	(24,573)	-
Purchase of mortgage securities classified as trading	(1,453,535)	(183,391)	(276,946)
Principal repayments and sale of mortgage securities classified as trading	1,347,234	109,731	223,784
Net increase in other assets	(19,792)	(21,467)	(13,331)
Net increase (decrease) in income taxes payable	(41,777)	12,117	(5,841)
Net (decrease) increase in other liabilities	21,600	(5,851)	28,964
Net cash (used in) provided by operating activities	(110,765)	(40,045)	35,943
Cash flows from investing activities:			
Purchase of mortgage securities available for sale	(474,667)	(26,840)	(134,526)
Principal repayments and sale of mortgage securities classified as available for sale	328,246	29,818	45,551
Additions to servicing rights	(102,265)	(33,408)	(23,276)
Net cash (used in) investing activities	(248,686)	(30,430)	(112,251)
Cash flows from financing activities:			
Increase (decrease) in advances from IndyMac REIT	153,237	(12,236)	46,561
Net proceeds of repurchase agreements	207,427	82,711	54,747
Cash dividends paid	-	-	(25,000)
Net cash provided by financing activities	360,664	70,475	76,308
Net change in cash	1,213	-	-
Cash at beginning of period	-	-	-
Cash at end of period	$ 1,213	$ -	$ -
Supplemental cash flow information:			
Cash paid for interest	$ 58,761	$ 49,540	$ 30,216
Cash paid for income taxes	9	1,996	259

Supplemental disclosure of non-cash activity:

In 1998, $75 million of capital resulted in the form of a reduction in amounts due to IndyMac REIT.

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</TABLE>
The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of IndyMac, Inc. ("IndyMac Operating") are prepared in conformity with generally accepted accounting principles ("GAAP"). The following is a summary of significant accounting and reporting policies used in preparing the financial statements.

1. Financial Statement Presentation

The consolidated financial statements include the accounts of IndyMac Operating and its wholly owned subsidiaries, IndyMac ABS, Inc. and IndyMac Agency, Inc. IndyMac ABS was established solely for the purpose of facilitating the asset-backed securitization of loans purchased by IndyMac Operating. Loans to be securitized are transferred from IndyMac Operating to IndyMac ABS, and then simultaneously transferred from IndyMac ABS to a bank or trust company as custodian for the securitization entity. IndyMac Agency acts as an insurance agency primarily selling insurance coverage on manufactured housing loans. References to the "Company" mean the parent company, its consolidated subsidiaries, and IndyMac Operating and its consolidated subsidiaries. All significant intercompany balances and transactions with IndyMac Operating's consolidated subsidiaries have been eliminated in consolidation.

All of the preferred non-voting stock and 99% of the economic interest in IndyMac Operating is owned by IndyMac REIT. Accordingly, IndyMac REIT's investment in IndyMac Operating is accounted for under a method similar to the equity method in IndyMac REIT's financial statements because IndyMac REIT has the ability to exercise influence over the financial and operating policies of IndyMac Operating through its ownership of the preferred stock and other contracts.

Certain reclassifications have been made to the financial statements for the periods ended December 31, 1997 and 1996 to conform to the December 31, 1998 presentation.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material impact on the financial statements.

3. Loans Held for Sale

Loans held for sale are carried at the lower of cost or market, which is computed by the aggregate method by asset type. The cost of loans held for sale is adjusted by gains and losses from hedging transactions, principally using forward commitments and futures contracts, entered into to protect the inventory value of the loans from changes in interest rates. Hedge positions are also used to protect the pipeline of commitments to purchase loans from IndyMac REIT from changes in interest rates. Gains and losses resulting from changes in the market value of the inventory, pipeline, and open hedge positions are netted. Any net gain that results is deferred; any net loss that results is recognized when incurred. Hedging gains and losses realized during the commitment and warehousing period related to the pipeline and loans held for sale are deferred. Hedging losses are recognized currently if deferring such losses would result in loans held for sale and the pipeline being valued in excess of their estimated net realizable value.

4. Mortgage Securities

Mortgage securities consist primarily of AAA rated interest-only securities, subordinated securities, residual securities, senior securities, principal-only securities, and inverse-floater securities.

In October 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 134, "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise", ("SFAS 134").

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This Statement requires mortgage banking enterprises to classify as trading securities any retained mortgage-backed securities that it commits to sell before or during the securitization process. It also requires mortgage banking enterprises to classify mortgage-backed securities of loans previously held for sale, based on its ability and intent to hold the securities. IndyMac Operating adopted SFAS 134 on December 31, 1998, and, as a result reclassified all its trading securities to available for sale . The fair value of the portfolio which was reclassified by IndyMac Operating was $369.4 million.

Estimated fair value is determined based on market quotes when available or discounted cash flow techniques using assumptions for prepayment rates, market yield requirements and credit losses. Such assumptions are estimates and may change in the near term as interest rates or economic conditions change.

Unrealized gains and losses resulting from fair value adjustments on mortgage securities identified as available for sale are excluded from earnings and reported net of tax effect as a separate component of comprehensive income in shareholders' equity.

IndyMac Operating evaluates the recoverability of interest-only securities classified as available for sale by computing the present value of estimated future cash flows using current estimates for prepayment rates, discounted at a risk-free rate of return. An impairment write-down to fair value is charged to earnings for those securities whose amortized cost exceeds the present value at the risk-free rate. IndyMac Operating estimates future prepayment rates based upon current interest rate levels, collateral seasoning, and market forecasts, as well as relevant characteristics of the collateral underlying the assets, such as loan types, interest rates and recent prepayment experience. Unrealized gains and losses from fair value adjustments on mortgage securities identified as trading are included in earnings.

5. Mortgage Servicing Rights

On January 1, 1997, the Company adopted SFAS 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS 125 supersedes, but generally retains, the requirements of SFAS 122, "Accounting for Mortgage Servicing Rights", which the Company adopted in January 1995. Both Statements require the recognition of mortgage servicing rights as assets by allocating total costs incurred between the loan and the servicing rights retained based on their relative fair values. In addition, SFAS 125 eliminates the distinction between normal and excess servicing. The adoption of SFAS 125 did not have a material effect on the Company's financial position or results of operations for the year ended December 31, 1997.

IndyMac Operating retains mortgage servicing rights in connection with the master servicing responsibilities associated with sales of loans and securities. IndyMac Operating also acquires, from time to time, the rights to service, as opposed to master service, loans in connection with the purchase of such loans. Mortgage servicing rights are amortized over the lives of the underlying mortgages in proportion to estimated net future servicing revenues. Gains on the sale of servicing rights are recognized when title and all risks and rewards have irrevocably passed to the buyer (subject to customary representations and warranties) and there are no significant unresolved contingencies.

The Company assesses impairment of the capitalized servicing rights based on the fair value of those rights on a stratum-by-stratum basis with any impairment recognized through a valuation allowance for each impaired stratum. For purposes of measuring impairment, the servicing rights are stratified based on the note type and coupon rate of the underlying mortgage loans in 100 basis point increments.

In order to determine the fair value of the servicing rights, the Company primarily uses a valuation model that calculates the present value of future cash flows. Assumptions used in the valuation model include market discount rates and anticipated prepayment speeds. The prepayment speeds are determined from market sources for mortgages with similar coupons, adjusted for differences in collateral type. In addition, the Company uses market comparables for estimates of the cost of servicing per loan, an inflation rate, ancillary income per loan, and default rates.

6. Hedging Instruments

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In seeking to protect its financial assets and liabilities, the Company has devised and implemented a general asset/liability investment management strategy which seeks, on an economic basis, to mitigate significant fluctuations in the financial position and results of operations of the Company likely to be caused by changes in market interest rates. This strategy includes, among other things, balancing investments in various types of financial instruments whose values could be expected to move inversely to each other in response to movement in market interest rates, and using a "macro-hedge" strategy which contemplates increased earnings from production volumes at the same time as losses are incurred on interest-only securities and mortgage servicing rights due to rapid prepayments.

With respect to fixed rate mortgage loans held for sale, the Company hedges its exposure to interest rate risk with forward commitments to sell a Fannie Mae or Freddie Mac security of comparable maturity and weighted average interest rate. With respect to interest-only securities and mortgage servicing rights, the Company reduces its exposure to interest rate risk by investing in other mortgage securities and financial instruments that tend to increase in value as interest rates decrease including utilizing mortgage-backed securities, ten year U.S. Treasuries, Treasury futures, or options. The Company uses hedging instruments to reduce its exposure to interest rate risk.

IndyMac Operating had $406.9 million notional amount of long ten year Treasury futures positions outstanding as of December 31, 1998. IndyMac Operating had no notional amount of interest rate floors outstanding as of December 31, 1998, as compared to $300 million notional amount for the year ended December 31, 1997. IndyMac Operating had $620 million notional amount in U. S. Treasury call options outstanding as of December 31, 1998. The value of call options and interest rate floors are derived from an underlying instrument or index, however, the notional or contractual amount is not recognized on the balance sheet. The cost of these financial instruments is amortized to expense over the contractual life of the contracts. Unamortized costs are included in other assets on the balance sheet. As of December 31, 1998, the fair value of the U.S. Treasury call options was $3.2 million with an unamortized cost of $4.4 million.

For the year ended December 31, 1998, IndyMac Operating recognized net gains of $36,000 on its long Treasury futures positions. These net gains offset a small portion of the Company's valuation losses on its trading portfolio. For the year ended December 31, 1998, IndyMac Operating recognized $337,000 of additional investment interest income resulting from interest rate floors that expired at the end of the year. For the years ended December 31, 1998 and 1997, IndyMac Operating did not have realized gains or losses on other instruments used to hedge Mortgage Securities.

Subsequent to the reclassification of all securities from trading to available for sale as of the end of 1998 and to the extent consistent with generally accepted accounting principles, IndyMac Operating defers future gains and losses from hedging activities associated with its mortgage securities portfolio. Future gains and losses from hedging activities would be added to or deducted from the carrying value of the associated assets, which will then be marked-to-market, with net unrealized gains or losses excluded from earnings and included as a separate component of comprehensive income in shareholder's equity, net of related income tax effects.

While IndyMac Operating does not anticipate nonperformance by the counterparties, IndyMac Operating manages credit risk with respect to such financial instruments by entering into agreements with entities approved by senior management and initially having a long term credit rating of single A or better (by one or more nationally recognized credit rating agencies) at the time the relevant contract is consummated. These entities include Wall Street firms having primary dealer status. IndyMac Operating's exposure to credit risk in the event of default by the counterparty is the difference between the contract price and the current market price of the instrument being utilized. Unless noted otherwise, IndyMac Operating does not require collateral or other security to support financial instruments with credit risk with approved counterparties.

7. Revenue Recognition

Interest is recognized as revenue when earned according to the terms of the loans and securities and when, in the opinion of management, it is collectible. Premiums paid and discounts obtained on loans held for sale are deferred as an adjustment to the carrying value of the loans until

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the loans are sold. Gains on sale of loans and securities are recognized upon settlement.

8. Income Taxes

For income tax purposes, IndyMac Operating files a separate tax return and is not consolidated with IndyMac REIT. Taxable earnings of IndyMac Operating are subject to state and federal income taxes at the applicable statutory rates. Deferred income taxes in the accompanying financial statements are computed using the liability method.

9. Allowance for Loan Losses

IndyMac Operating maintains an allowance for possible credit losses on its loan portfolios. Additions to the allowance are based on an assessment of certain factors, including but not limited to estimated inherent losses on the loans, general economic conditions, and trends in portfolio volume, composition, borrower credit quality, maturity and delinquency. Additions to the allowance are provided through a charge to earnings. Actual losses on loans are recorded as a reduction to the allowance. Subsequent recoveries of items previously charged off are credited to the allowance.

10. Stock-Based Compensation

On January 27, 1998, IndyMac REIT's Board of Directors approved the 1998 Plan (the "Plan"), which allows for the grant of various types of awards (the "Award"), including, but not limited to, nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, performance share awards, and stock bonuses to employees (including officers and directors) of IndyMac REIT, IndyMac Operating and their respective subsidiaries or affiliates and certain consultants or advisors to IndyMac REIT, IndyMac Operating, and their respective subsidiaries or affiliates. Awards are granted based upon the fair market value of IndyMac REIT's stock on the grant date.

IndyMac Operating accounts for stock awards in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123"). Total restricted stock awards for IndyMac Operating granted in 1998 were 161,278 at a fair market value of $2.7 million and a weighted average share price of $16.67. As of December 31, 1998, there were 160,285 awards outstanding. Awards forfeited during 1998 were 993. Paid in capital in excess of par and unearned compensation was recorded for the fair market value at the date of grant. Unearned compensation is being amortized to compensation expense over the vesting period and is shown as a reduction in stockholders' equity. Total compensation expense for 1998 was $428,000. Total IndyMac REIT stock options granted in 1998, 1997, and 1996, respectively, to IndyMac Operating employees were 1,618,291, 438,589, and 224,760.

11. Recent Accounting Pronouncements

The Company implemented the disclosure provisions of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", ("SFAS 131"), which was effective for periods beginning after December 15, 1997. This statement requires disclosure of financial information about the Company's operating segments. Operating segments are components of an enterprise about which separate financial information is available, and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Since SFAS 131 provides for informative disclosure, implementation did not impact 1998 net earnings and earnings per share, and will not impact previously reported or future net earnings or earnings per share.

The Company implemented the disclosure provisions of Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits--an amendment of FASB Statements No. 87, 88, and 106", ("SFAS 132"), effective for fiscal years beginning after December 15, 1997. This Statement revises employers' disclosures about pension plans and other postretirement benefit plans. SFAS 132 provides informative disclosure but does not change the measurement or recognition of those plans, and as such, it did not impact 1998 net earnings or earnings per share and will not impact previously reported or future net earnings and earnings per share.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("SFAS 133"). This Statement establishes accounting and reporting standards for derivative

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instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS 133 is required to be adopted by January 2000, with earlier adoption permitted. The Company is currently in the process of determining the impact of the adoption of SFAS 133.

The Company implemented SFAS 134, which is effective for fiscal periods beginning after December 15, 1998, with earlier adoption permitted. This Statement requires mortgage banking enterprises to classify as trading securities any retained mortgage-backed securities that it commits to sell before or during the securitization process. It also requires mortgage banking enterprises to classify mortgage-backed securities of loans previously held for sale, based on its ability and intent to hold the securities. The adoption of SFAS 134 had no impact on 1998 net earnings and earnings per share as all securities reclassified were trading and required, under prior accounting pronouncements mark-to-market adjustments affecting earnings and earnings per share. The future impact of this pronouncement will be to record normal fluctuations in the fair market value of these securities as adjustments to shareholders' equity.

NOTE B - LOANS HELD FOR SALE

Included in loans held for sale are prime and subprime mortgage loans, manufactured housing loans and home improvement loans. Substantially all of the mortgage loans purchased by IndyMac Operating from IndyMac REIT are fixed-rate and adjustable-rate jumbo and nonconforming loans secured by first liens on single-family residential properties. Approximately 67% of the principal amount of mortgage loans held for sale at December 31, 1998 were collateralized by properties located in California.

In 1998, 1997 and 1996, IndyMac Operating purchased loans from IndyMac REIT with an aggregate principal balance of $11.8 billion, $4.3 billion, and $3.5 billion, respectively, and sold loans in the form of REMIC securities or bulk whole loan sales with an aggregate principal balance of $11.7 billion, $4.2 billion, and $3.5 billion, respectively. IndyMac Operating recognized gains on these securitizations and whole loan sales, net of related expenses, losses, and hedging costs, totaling $98.9 million, $72.5 million and $51.1 million, respectively, for the years ended December 31, 1998, 1997 and 1996.

NOTE C - ALLOWANCE FOR LOAN LOSSES

The table below summarizes the changes to the allowance for estimated loan losses:

(Dollars in thousands)

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Balance at January 1	$ 738	$ 1,773	$1,791
Provision for the year	442	152	-
Charge-offs, net of recoveries	(35)	(1,187)	(18)
Balance at December 31	$1,145	$ 738	$1,773

</TABLE>

NOTE D - MORTGAGE SECURITIES

The following table summarizes the amortized cost and estimated fair value of mortgage securities classified as available for sale, and the estimated fair value of mortgage securities classified as trading, as of December 31, 1998 and 1997. Contractual maturities on the mortgage securities range from 10 to 30 years.

<TABLE>
<CAPTION>

(Dollars in thousands)	December 31, 1998	December 31, 1997	
	Available For sale	Trading	Available For sale
<S>	<C>	<C>	<C>
Amortized cost	$397,859	$467,591	$56,035
Gross unrealized gains	408	-	2,021
Gross unrealized losses	(173)	-	(1,130)
Estimated fair value	$398,094	$467,591	$56,926

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</TABLE>

At December 31, 1998, mortgage securities included $203.0 million AAA rated interest-only securities, $181.1 million in subordinated securities, $7.9 million in residual securities, and $6.1 million in other investment grade securities. As of December 31, 1998 and 1997, all of IndyMac Operating's mortgage securities were pledged as collateral under repurchase agreements.

Prepayment speed assumptions used to value the Company's AAA interest-only securities portfolio are based primarily on historical experience, collateral coupon and seasoning. At December 31, 1998, the average constant prepayment rate assumption over the next twelve months approximated 33%. In addition, these valuations incorporated weighted average discount rates ranging from 10% to 12%.

NOTE E - MORTGAGE SERVICING RIGHTS

The changes in mortgage servicing rights are as follows:

<TABLE>
<CAPTION>

(Dollars in thousands)	Year ended December 31,		
	1998	1997	1996
Mortgage servicing rights			
Balance at January 1	$ 72,784	$54,398	$40,156
Additions	146,846	33,408	23,275
Sales	(46,630)	-	-
Amortization	(16,347)	(9,266)	(7,349)
Impairment	(29,424)	(5,756)	(1,684)
Balance at December 31	$127,229	$72,784	$54,398

</TABLE>

Changes in the valuation for impairment of mortgage servicing rights are as follows:

<TABLE>
<CAPTION>

(Dollars in thousands)	Year ended December 31,		
	1998	1997	1996
Mortgage servicing rights			
Balance at January 1	$ (8,275)	$(2,519)	$ (835)
Impairment	(29,424)	(5,756)	(1,684)
Balance at December 31	$(37,699)	$(8,275)	$(2,519)

</TABLE>

The estimated fair value of mortgage servicing rights aggregated $130.9 million, $74.2 million, and $54.4 million at December 31, 1998, 1997, and 1996, respectively. Fair value is determined by discounting estimated net future cash flows from mortgage servicing activities using discount rates that approximate current market rates and using current expected future prepayment rates. With respect to this portfolio, as of December 31, 1998, the average prepayment speed assumption ("PSA") approximated 382, and the weighted average discount rate approximated 10%.

NOTE F - REPURCHASE AGREEMENTS AND OTHER CREDIT FACILITIES

IndyMac Operating is a co-borrower under the Company's repurchase agreements and other credit facilities, subject to IndyMac REIT's continuing to remain jointly and severally liable for repayment. These facilities are secured by loans which are ultimately sold in the form of REMIC securities or whole loans, retail sales installment contracts and mortgage-related securities. During 1998 and 1997, borrowings under such facilities had original repricings of overnight and less than 30 days, respectively.

The facilities bear interest at rates indexed to the LIBOR or the federal funds rate, plus an applicable margin. For the years ending December 31, 1998 and 1997, the weighted average borrowing rates on these facilities were 4.8% and 6.3%, respectively. None of the lenders is affiliated with IndyMac REIT or IndyMac Operating.

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NOTE G - INCOME TAXES

The income tax provision for the years ended December 31, 1998, 1997 and 1996 consist of the following:
<TABLE>
<CAPTION>

(Dollars in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Current tax expense (benefit)			
Federal	$ (971)	$ 319	$ (992)
State	-	137	365
Total current tax expense (benefit)	(971)	456	(627)
Deferred tax expense (benefit)			
Federal	(32,344)	9,974	9,883
State	(10,160)	3,468	4,292
Total deferred tax expense (benefit)	(42,504)	13,442	14,175
Total income tax expense (benefit)	$(43,475)	$13,898	$13,548

</TABLE>

The tax effect of temporary differences that gave rise to significant portions of deferred tax assets and liabilities as of December 31, 1998 and 1997 are presented below:
<TABLE>
<CAPTION>

(Dollars in thousands)	December 31,	
	1998	1997
<S>	<C>	<C>
Deferred tax liability (asset), net		
State taxes	$ 1,183	$(3,795)
Allowance for loan losses	(1,066)	(410)
Net operating loss carry forward	(4,181)	(5,777)
Mortgage securities and servicing rights	247	54,399
Other	(743)	(1,084)
Deferred tax liability (asset), net	$(4,560)	$43,333

</TABLE>

At December 31, 1998, IndyMac Operating had a net operating loss carry forward for federal income tax purposes of approximately $11.9 million, which begins to expire in the year 2011. As of December 31, 1998, IndyMac Operating did not have a net operating loss carry forward for state income tax purposes. The net deferred tax asset and tax liability are classified in other assets and other liabilities, respectively, as of December 31, 1998 and 1997.

The effective income tax rate differed from the federal statutory rate as follows:
<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Federal statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal tax effect	6.5%	7.2%	7.6%
Other items, net	1.0%	0.3%	0.3%
Effective income tax rate	42.5%	42.5%	42.9%

</TABLE>

NOTE H - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the estimated fair value of the various classes of financial instruments as of December 31, 1998 and 1997. The estimated fair value amounts have been determined by IndyMac Operating using available market information and valuation methodologies which IndyMac Operating believes are appropriate under the circumstances. These estimates are inherently subjective in nature and involve significant judgment to interpret relevant market and other data. The use of different market assumptions and/or estimation

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methodologies may have a material effect on estimated fair value amounts. Accordingly, the estimates presented herein are not necessarily indicative of the amounts IndyMac Operating could realize in a current market exchange.

NOTE H - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

<TABLE>
<CAPTION>

(Dollars in thousands)

	December 31, 1998		December 31, 1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair value
<S>	<C>	<C>	<C>	<C>
Assets:				
Loans held for sale	$ 211,745	$ 211,745	$ 96,965	$ 96,965
Commitments to sell loans and securities	(1,841)	(1,841)	(102)	(102)
Commitments to purchase loans	182	182	1,971	1,971
Mortgage securities and Treasury securities	700,407	700,407	601,669	601,669
Treasury call options	3,150	3,150	-	-
Liabilities:				
Repurchase agreements & other credit facilities	786,545	786,545	578,763	578,763
Off-balance sheet gains (losses):				
Interest rate floors	-	-	324	222

</TABLE>

The fair value estimates as of December 31, 1998 and 1997 are based on pertinent information available to management as of those dates. The estimates have not been comprehensively reevaluated or updated since those dates for purposes of these financial statements and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following describes the methods and assumptions used by IndyMac Operating in estimating fair values.

Loans Held for Sale. Due to the short-term nature of loans held for sale, the fair value of this portfolio is assumed to be the carrying value.

Commitments to Purchase Loans. Fair value is estimated based upon the difference between the current value of similar loans and the price at which IndyMac Operating has committed to purchase the loans.

Commitments to Sell Loans and Securities. IndyMac Operating utilizes forward commitments to sell private-label mortgage-backed securities, Fannie Mae mortgage-backed securities and two-year, five-year and ten-year U.S. Treasury futures contracts to hedge interest rate risk associated with loans held for sale and commitments to purchase loans. Fair value of these commitments is determined based upon the difference between the settlement values of the commitments and the quoted market values of the underlying loans and securities.

Mortgage Securities and U.S. Treasury Securities. Fair value is estimated using quoted market prices and by discounting future cash flows using discount rates that approximate current market rates and prepayment expectations for securities with the same or similar characteristics. U.S. Treasury securities are recorded at fair market value based upon quoted prices.

Repurchase Agreements and Other Credit Facilities. Due to the short-term nature of repurchase agreements and other credit facilities, the fair value of these liabilities is assumed to be the carrying value.

Interest Rate Floors. The fair values of IndyMac Operating's interest rate floors are estimated based upon quoted market prices at year-end.

NOTE I - COMMITMENTS AND CONTINGENCIES

Financial Instruments with Off-Balance Sheet Risk

IndyMac Operating is a party to financial instruments with off-balance sheet risk in the normal course of business through the acquisition and sale of loans and the management of interest rate risk. These instruments include short-term commitments to purchase and sell loans and are entered into for purposes other than trading. The instruments involve, to varying degrees, elements of credit and interest rate risk. IndyMac Operating is exposed to credit loss in the event of nonperformance by the counterparties to the various agreements. As discussed

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below, IndyMac Operating's exposure to credit risk with respect to the master servicing portfolio in the event of nonperformance by mortgagors is limited due to the non-recourse nature of the loans in the servicing portfolio. IndyMac Operating's exposure to credit risk in the event of default by the counterparty is the difference between the contract price and the current market price of the instrument being utilized. Unless noted otherwise, IndyMac Operating does not require collateral or other security to support financial instruments with credit risk with approved counterparties.

Primary Loan Servicing

On April 2, 1998, IndyMac Operating acquired certain assets of the mortgage servicing operation of First of America Loan Services, Inc. The servicing platform, LoanWorks Servicing, is located in Kalamazoo, Michigan and Bloomington, Illinois. As of December 31, 1998, the LoanWorks Servicing portfolio totaled $10.5 billion, with a weighted average coupon of 8.3%.

Master Loan Servicing

As of December 31, 1998 and 1997, IndyMac Operating master serviced loans totaling $17.0 billion and $12.4 billion, respectively, associated with its issuance of REMIC securities and whole loan sales. In connection with REMIC issuances, each series of mortgage-backed securities is typically fully payable from the mortgage assets underlying such series and the recourse of investors is limited to those assets and any credit enhancement features, such as insurance. Generally, losses in excess of the credit enhancement obtained are borne by the security holders. Except in the case of a breach of the standard representations and warranties made by IndyMac Operating when loans are securitized or sold, the loans or securities are nonrecourse to IndyMac Operating. Typically, IndyMac Operating has recourse to the sellers of such loans for any breaches of similar representations and warranties made by the sellers to IndyMac Operating.

As of December 31, 1998, approximately 35%, 7% and 7% of mortgage loans in IndyMac Operating's master servicing portfolio were secured by properties located in California, Florida and New York, respectively. The remainder are geographically dispersed throughout the United States, with no more than 5% of the mortgage loans collateralized by properties in any other state.

Commitments to Purchase Loans

As of December 31, 1998 and 1997, IndyMac Operating had entered into commitments to purchase loans from IndyMac REIT totaling $2.1 billion and $2.2 billion, respectively, including loans subject to purchase from sellers by IndyMac REIT. After the purchase and sale of the loans, IndyMac Operating's exposure to credit loss in the event of nonperformance by borrowers is limited as described above.

Commitments to Sell Loans and Securities

IndyMac Operating hedges its inventory and committed pipeline of mortgage loans by using temporary cross hedges with forward commitments to sell Fannie Mae mortgage-backed securities and U.S. Treasury futures contracts. IndyMac Operating's commitments to sell loans approximated $443 million and $93 million, respectively, as of December 31, 1998 and 1997. IndyMac Operating had forward commitments to sell $620 million and $1.3 billion of Fannie Mae mortgage-backed securities as of December 31, 1998 and 1997, respectively, and $407 million and $120 million of two-year, five-year and ten-year U.S. Treasury futures contracts as of December 31, 1998 and 1997, respectively. The commitments to sell securities had a net unrealized loss of approximately $2.0 million and $5.0 million as of December 31, 1998 and 1997, respectively. The net unrealized losses were deferred as part of

IndyMac Operating's lower of cost or market analysis on its loans held for sale. Cash requirements related to forward commitments and futures contracts are limited to the interest rate risk exposure resulting from having fewer closed loans at the committed price than anticipated under the forward commitments and futures contracts.

NOTE - J PENSION PLAN

In 1998, IndyMac Operating adopted a defined benefit pension plan (the "Plan") covering substantially all of its employees. IndyMac Operating policy is to contribute the amount actuarially determined to be necessary to pay the benefits under the Plan, and in no event to pay less than the amount necessary to meet the minimum funding standards of ERISA. The weighted average assumptions used in calculating the Plan's status as of December 31, 1998 were a discount rate of 6.75%, an expected rate of return on Plan assets of 8.00% and compensation increases of 4.00%. Pension expense was $388,000 for 1998, consisting of a service cost of $298,000, an interest cost of $51,000, and an expected return on Plan assets of $39,000. The accrued benefit cost at December 31, 1998 was $388,000, comprised of an unfunded status of $1,237,000 offset by unrecognized

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net actuarial loss of $691,000, and unrecognized prior service cost of $158,000.

NOTE - K RELATED PARTY TRANSACTIONS

As of December 31, 1998 and 1997, advances due by IndyMac Operating to IndyMac REIT totaled $196 million and $118 million, respectively. Such funds were advanced by IndyMac REIT, under a revolving credit facility arrangement and certain one-year term borrowing arrangements, to finance assets of IndyMac Operating. Such advances bear interest at rates indexed to LIBOR. The interest rate charged on such advances was 9.3% and 10.5% at December 31, 1998 and 1997, respectively.

IndyMac Operating received $75 million in capital contribution from IndyMac REIT in the fourth quarter of 1998 in the form of a reduction in amounts due IndyMac REIT.

Prior to July 1, 1997, IndyMac REIT operated under an agreement (the "Management Agreement") with Countrywide Asset Management Corporation (the "Manager" or "CAMC") to advise the Company on various facets of its business and manage its operations, subject to review and supervision by IndyMac REIT's Board of Directors. The Manager had entered into a subcontract with its affiliate, Countrywide Home Loans, Inc. ("CHL"), to perform such services for the Company as the Manager deemed necessary. For performing these services, the Manager received, (1) a base management fee of 0.125% per annum of average-invested mortgage-related assets not pledged to secure CMOs, and excluding loans held for sale, (2) a separate management fee equal to 0.2% per annum of the average amounts outstanding under traditional warehouse lines of credit, and (3) incentive compensation equal to 25% of the amount by which IndyMac REIT's annualized return on equity exceeded the ten-year U.S. Treasury Rate plus 2%. IndyMac Operating paid management fees to CAMC totaling $757,000 and $2.0 million for the years ended December 31, 1997 and 1996, respectively.

Prior to July 1, 1997, the Manager incurred many of the operating expenses of the Company, including personnel and related expenses. As part of its acquisition of CAMC, IndyMac REIT entered into a Cooperation Agreement with Countrywide Credit Industries, Inc. ("CCR"), whereby certain services previously provided to IndyMac REIT by CCR would be provided during a transition period. The Cooperation Agreement specifies certain costs for IndyMac REIT to pay CCR for services during the transition period. The Company's third party lending operations are primarily conducted by IndyMac Operating and all other operations are conducted by IndyMac REIT. Accordingly, IndyMac Operating is charged with the majority of the third party lending's costs, and IndyMac REIT is charged with the cost of other operations.

IndyMac Operating paid CHL $1.7 million, $1.9 million and $1.1 million in subservicing fees during 1998, 1997 and 1996, respectively.

NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)

In August 1998, IndyMac Operating acquired from Flagstar Bank, FSB, the servicing rights of a $2.9 billion loan portfolio for $46.4 million. As a result of the fourth quarter 1998 market disruptions, the Company sold the servicing rights acquired from Flagstar Bank, FSB, to CHL on October 31, 1998, at a price of $36.7 million.

All loans purchased by IndyMac REIT for which a REMIC transaction or whole loan sale is contemplated are committed for sale to IndyMac Operating at the same price at which the loans were acquired by IndyMac REIT. IndyMac Operating currently does not purchase any loans from any entities other than IndyMac REIT.

NOTE L - SEGMENT REPORTING

On December 31, 1998, the Company adopted FASB Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information", ("SFAS 131"). SFAS 131 requires that selected information about the Company's operating segments be disclosed in annual and interim reports. SFAS 131 requires that information to be reported about each segment be measured on the same basis as the information used internally by the Company.

IndyMac Operating reportable operating segments include Mortgage Banking and Investments.

The Mortgage Banking segment purchases all loans from IndyMac REIT for which a REMIC transaction or whole loan sale is contemplated are committed for sale to IndyMac Operating pursuant to the terms of a master forward sales agreement. These loans are then securitized through the issuance of mortgage-backed securities in the form of REMICs, or resold in bulk whole loan sales to permanent investors. The Mortgage Banking segment's principal sources of income are gains recognized on the sale of mortgage loans and the net spread between interest earned on loans and the interest cost associated with the borrowings used to finance such loans.

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The Investment segment invests in mortgage servicing rights and mortgage securities either retained in connection with the issuance of mortgage-backed securities or purchased from third parties. The investment segment's principal sources of income are spread income on securities, service fee income and net gain on sale of mortgage securities.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that the segment reporting data includes allocations of certain income and expense accounts of IndyMac Operating in order to present to the reader the operating segments as reviewed and managed by the Company's chief operating decision maker.

NOTE L - SEGMENT REPORTING (CONTINUED)

Segment information for the years ended December 31, 1998, 1997, and 1996 were as follows:

(Dollars in thousands)

<TABLE>
<CAPTION>

	For the Years Ended December 31,			
	Mortgage Banking	Investments	Adjustments	Total IndyMac, Inc.
1998				
Net interest income	$ 5,209	$ 10,885	$ (17,381)	$ (1,287)
Net revenues	127,107	(98,746)	(17,381)	10,980
Net earnings (loss)	11,362	(60,187)	(9,994)	(58,819)
Assets as of December 31, 1998	$ 236,567	$ 866,229	-	$ 1,102,796
1997				
Net interest income	$ 3,473	$ 8,643	$ (10,075)	$ 2,041
Net revenues	80,085	19,966	(10,075)	89,976
Net earnings (loss)	15,765	8,835	(5,793)	18,807
Assets as of December 31, 1997	$ 147,712	$ 673,341	$ -	$ 821,053
1996				
Net interest income	$ 1,214	$ 8,990	$ (7,676)	$ 2,528
Net revenues (1)	56,377	16,208	(7,676)	64,909
Net earnings (loss)	14,559	7,923	(4,414)	18,068
Assets as of December 31, 1996	$ 111,425	$ 599,680	-	$ 711,105

</TABLE>

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EXHIBIT 3.5

COUNTRYWIDE MORTGAGE INVESTMENTS, INC.
A DELAWARE CORPORATION

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BYLAWS

____

ARTICLE I

OFFICES

SECTION 1. Registered Office. The registered office of the Corporation in the State of Delaware shall be located at the principal place of business in that state of the entity acting as the corporation's registered agent in the State of Delaware.

SECTION 2. Principal Executive Office. The principal executive office of the Corporation shall be in the City of Pasadena, State of California.

SECTION 3. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

Meetings of Stockholders

SECTION 1. Place of Meetings. Meetings of stockholders shall be held on such date, at such time and at such place within the United States as shall be determined from time to time by the Board of Directors and stated in the notice of meeting or in a duly executed waiver of notice thereof.

SECTION 2. Annual Meeting. The annual meeting of stockholders of the Corporation shall be held on such date, at such time and at such place as shall be designated annually by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof, at which meeting the stockholders shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

SECTION 3. Special Meetings. At any time in the interval between annual meetings, special meetings of the stockholders, unless otherwise provided by law or by the Certificate of Incorporation, may be called by a majority of the Board of Directors, a majority of the Unaffiliated Directors (as defined in Article III, Section 3), the President or the Chairman of the Board of Directors. The

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date, time and place of a special meeting shall be determined by the Board of Directors or the officer calling the meeting and shall be stated in the written notice of the meeting, which notice shall state the purpose or purposes for which the meeting is called.

Business of the Corporation transacted at any special meeting of stockholders by whomever called shall be limited to the purposes stated in the written notice thereof.

SECTION 4. Notice of Meetings; Waiver of Notice; Adjournment. Not less than ten nor more than sixty days before the date of every stockholders' meeting, the Secretary shall give to each stockholder of record entitled to vote at such meeting, and to each stockholder not entitled to vote who is entitled by statute to notice, written or printed notice stating the date, time and place of the meeting and the purpose or purposes for which the meeting is called, either by mail or by presenting it personally to the stockholder or by leaving it at his residence or usual place of business. If mailed with postage thereon prepaid, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at his address as it appears on the records of the Corporation.

Notice of any meeting of stockholders shall be deemed waived by any stockholder who shall attend such meeting in person or by proxy, or who shall, either before or after the meeting, submit a signed waiver of notice which is filed with the records of the meeting. When a meeting is adjourned to another time and place, unless the Board of Directors after the adjournment shall fix a new record date for an adjourned meeting or the adjournment is for more than thirty days after the original record date, notice of such adjourned meeting need not be given if the time and place to which the meeting shall be adjourned were announced at the meeting at which the adjournment is taken.

SECTION 5. Quorum. At any meeting of stockholders the presence in person or by proxy of stockholders entitled to cast a majority of the shares of stock entitled to vote at the meeting shall constitute a quorum, unless otherwise provided by any statute or by the Certificate of Incorporation. In the absence of a quorum no business may be transacted, except that the holders of a majority of the shares of stock present in person or by proxy and entitled to vote may adjourn the meeting from time to time, without notice other than announcement at the meeting, except as required by Section 4 above, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally noticed.

SECTION 6. Voting. The affirmative vote of a majority of the shares of common stock which are present in person or represented by proxy and entitled to vote on the matter at a meeting of stockholders, duly called and at which a quorum is present, shall be sufficient to constitute the act of the stockholders as to any matter which properly comes before the meeting, unless more than a majority of the votes shall be required by statute or by the Certificate of Incorporation. If a vote shall be taken on any question other than the election

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of directors (which shall be by written ballot), then unless required by statute or these bylaws, or determined by the chairman of the meeting to be advisable, any such vote need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholders voting, or by his proxy, and shall state the number of shares voted.

Unless a statute or the Certificate of Incorporation provides otherwise, each holder of record of outstanding shares of stock of the Corporation having voting power shall be entitled to one vote for every share of such stock on each matter submitted to a vote at a meeting of

stockholders. A stockholder may vote only the shares owned by him as shown an the record of stockholders of the Corporation as of the record date determined pursuant to Section 7 below or pursuant to applicable law and may cast his shares in person or by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact, but no proxy shall be valid after three years from its date, unless otherwise provided in the proxy. At all meetings of stockholders, unless the voting is conducted by inspectors, all questions relating to the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided by the chairman of the meeting.

SECTION 7. Fixing of Record Date. The Board of Directors may fix, in advance, a record date not more than sixty not less than ten days before the date then fixed for the action requiring determination by the stockholders. All persons who were holders of record of shares at such time, and no others, shall be entitled to vote at such meeting and any adjournment thereof.

SECTION 8. Organization and Order of Business. At each meeting of the stockholders, the Chairman of the Board of Directors, or in his absence or inability to act, the President, or in the absence or inability to act of the Chairman of the Board and the President, a Vice President, shall act as chairman of the meeting. The Secretary, or in his absence or inability to act, any person appointed by the chairman of the meeting, shall act as secretary of the meeting and keep the minutes thereof. The order of business at all meetings of the stockholders shall be as determined by the chairman of the meeting.

SECTION 9. Inspectors. The Board of Directors may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If the inspectors shall not be so appointed or if any of them shall fail to appear or act, the chairman of the meeting may, and on the request of any stockholder entitled to vote thereat shall, appoint inspectors. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to

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conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as inspector of an election of directors. Inspectors need not be stockholders.

ARTICLE III

Board of Directors

SECTION 1. Number of Directors. The number of directors of the Corporation shall be six. By vote of a majority of the entire Board of Directors, the number of directors fixed by

these Bylaws may be increased or decreased by resolution from time to time, but may not exceed nine nor be less than three. The tenure of office of a director shall not be affected by any decrease in the number of directors so made by the Board.

SECTION 2. General Powers. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors, which may exercise all of the powers of the Corporation, except such as are by law or by the Certificate of Incorporation or by these Bylaws conferred upon or reserved to the stockholders.

SECTION 3. Affiliations of Board Members. A majority of the members of the Board of Directors shall at all times be persons who are not Affiliates of an individual or corporate management company to whom the Board has delegated management duties as permitted in Section 18 of this Article and Article V, Section 7 of the Certificate of Incorporation (a "Management Company") (such directors being referred to as "Unaffiliated Directors").

As used in these Bylaws, the term "Affiliate" of another person means any person directly or indirectly owning, controlling, or holding with power to vote, five percent (5%) or more of the outstanding voting securities of such other person or of any person directly or indirectly controlling, controlled by or under common control with such other person; any person five percent (5%) or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by such other person; any person directly or indirectly controlling, controlled by or under common control with, such other person, and, any officer, director, partner, or employee of such other person. The term "person" includes a natural person, corporation, partnership, trust, company or other entity.

SECTION 4. Election and Term. Until the first annual meeting of stockholders or until successors are duly elected and qualified, the Board shall consist of the persons named as such in the Certificate of Incorporation. At the first annual meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect directors, who need not be stockholders in the

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Corporation, to hold office until the next annual meeting and until their successors are elect and qualified or until their earlier resignation or removal. Directors are eligible for re-election, and a director may resign at any time by giving written notice to the Corporation.

SECTION 5. Vacancies. Any vacancy occurring in the Board of Directors for any cause other than by reason of increase in the number of directors may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum. Any vacancy occurring by reason of an increase in the number of directors may be filled by action of a majority of the entire Board of Directors. The vacancy for any reason of any director who is not an Affiliate of a Management Company shall be filled by a majority vote of the remaining members of the Board of Directors, including a majority vote of the remaining Unaffiliated Directors. A director elected by the Board of Directors to fill a vacancy shall be elected to hold office until the next annual meeting of stockholders and until his or her successor is elected and qualifies.

SECTION 6. Removal of Directors. Any director may be removed either with or without cause, as provided by the General Corporation Law of the State of Delaware.

SECTION 7. Place of Meetings. Meetings of the Board of Directors, regular or special, may be held in or out of the State of Delaware at such place as the Board of Directors may from time to time determine or as shall be specified in the notice of such meeting.

SECTION 8. Annual Meeting. The first meeting of each newly elected Board of Directors shall be held as soon as practicable after the annual meeting of the stockholders at which the directors were elected. The meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors. or as shall be specified in a written waiver signed by all of the directors, except that no notice shall be necessary if such meeting is held immediately after the adjournment, and at the site, of the annual meeting of stockholders.

SECTION 9. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board of Directors.

SECTION 10. Special Meetings. Special meetings of the Board of Directors may be called by two or more directors of the Corporation or by the Chairman of the Board of Directors or the President.

SECTION 11. Notice of Special Meetings. Notice of each special meeting of the Board of Directors shall be given by the Secretary as hereinafter provided. Such notice shall state the time and place of the meeting. Notice of each such meeting shall be delivered to each director, either personally or by telephone, telegraph, cable or wireless, at least twenty-four hours before the time at which such meeting is to be held, or by first-class mail, postage prepaid, or

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established nationwide courier service, delivery cost prepaid, addressed to each director at his or her post-office address as it appears on the records of the Corporation, at least four days before the day on which such meeting is to be held. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the director at his or her address as it appears in the records of the Secretary. Special meetings of the Board of Directors may be held at any time without notice if all directors are present or if those directors not present waive notice of the meeting in writing either before or after the date of the meeting.

SECTION 12. Quorum and Voting. At all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business, and the action of a majority of the directors present at any meeting at which a quorum is present shall be the action of the Board of Directors unless the concurrence of a greater proportion is required for such action by statute, the Certificate of Incorporation or these Bylaws. If a quorum shall not be present at any meeting of directors, the directors present at the meeting may by a majority vote adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Notwithstanding the first paragraph of this Section 12, any action pertaining to a transaction involving the Corporation in which any Management Company, any director or officer of the Corporation or any Affiliate of any of the foregoing persons has an interest shall

be approved in specific as to any isolated transactions or in general as to any series of similar transactions by a majority of the members of the Board of Directors who are not Affiliates of such interested party, even if the non-interested directors constitute less than a quorum. In approving any such transaction or series of transactions the non-interested directors must determine that

(a) the transaction as contemplated is fair as to the Corporation and its stockholders at the time it is authorized, approved or ratified;

(b) if an acquisition of property other than mortgage loans is involved, the total consideration is not in excess of the appraised value of such property being acquired; and

(c) if the transaction involves compensation to any Management Company or its Affiliates for services rendered in a capacity other than that contemplated by the management arrangements, to the knowledge of the directors such compensation is not greater than the customary charges for comparable services generally available from other competent unaffiliated persons.

SECTION 13. Organization. The Chairman of the Board shall preside at each meeting of the Board. In the absence or inability of the Chairman of the Board to preside at a meeting, the President, or, in his absence or inability to act,

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another director chosen by a majority of the directors present, shall act as chairman of the meeting and preside thereat. The Secretary (or, in his absence or inability to act, any person appointed by the Chairman) shall act as secretary of the meeting and keep the minutes thereof.

SECTION 14. Meeting by Conference Telephone. Members of the Board of Directors may participate in a meeting of the Board of Directors or any committee thereof by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at a meeting.

SECTION 15. Consent in Lieu of Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

SECTION 16. Compensation. Directors may receive compensation for services to the Corporation in their capacities as directors in such manner and in such amounts as may be fixed from time to time by the Board of Directors, and expenses of attendance at each regular or special meeting of the Board of Directors, or of any committee thereof.

SECTION 17. Investment Policies and Restrictions. The investment policies of the Corporation and the restrictions thereon shall be established from time to time by the Board of Directors, including a majority of the Unaffiliated Directors; provided, however, that the investment policies of the Corporation and the limitations thereon shall be at all times in

compliance with the restrictions applicable to real estate investment trusts pursuant to the Internal Revenue Code of 1986, as it may be amended from time to time. The Unaffiliated Directors shall review the investment policies of the Corporation at least annually to determine that the policies then being followed by the Corporation are in the best interests of its stockholders. Each such determination and the basis therefor shall be set forth in the minutes of the Board of Directors.

SECTION 18. Management Arrangements. The Board may delegate the duty of management of the assets and the administration of the Corporation's day-to-day operations to a Management Company pursuant to a written contract or contracts, or any renewal thereof, which have obtained the requisite approvals of the Board of Directors, including a majority of the Unaffiliated Directors, or the stockholders of the Corporation, as provided in the Certificate of Incorporation.

The Board of Directors shall evaluate the performance of the Management Company before entering into or renewing any management arrangement. The minutes of meetings with respect to such evaluation shall reflect the criteria

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used by the Board of Directors in making such evaluation. Upon any termination of the initial management arrangements reflected in the Registration Statement, the Board of Directors shall determine that any successor Management Company possess sufficient qualifications (a) to perform the management function for the Corporation and (b) to justify the compensation provided for in its contract with the Corporation. Each contract for the services of a Management Company entered into by the Board of Directors shall have a term of no more than one year, but may be renewed annually at or prior to the expiration of the contract. Each contract shall be terminable by a majority of the Unaffiliated Directors, or the Management Company on sixty (60) days' written notice without cause.

The Unaffiliated Directors shall determine at least annually that the compensation which the Corporation contracts to pay the Management Company is reasonable in relation to the nature and quality of services performed and shall also supervise performance of the Management Company and the compensation paid to it by the Corporation to determine that the provisions of such contract are being carried out. Each such determination shall be based upon the following factors and all other factors the Unaffiliated Directors may deem relevant and the findings of the Unaffiliated Directors on each of such factors shall be recorded in the minutes of the Board of Directors:

(a) The size of the management fee in relation to the size, compensation and profitability of the investment portfolio of the Corporation;

(b) The success of the Management Company in generating opportunities that meet the investment objectives of the Corporation;

(c) The rates charged to other corporations similar to the Corporation and to other investors by advisers performing similar services;

(d) Additional revenues realized by the Management Company and its Affiliates through their relationship with the Corporation, including loan administration, underwriting or broker commissions, servicing, engineering, inspection and other fees, whether paid by the Corporation or by others with whom the Corporation does business;

(e) The quality and extent of service and advice furnished to the Corporation;

(f) The performance of the investment portfolio of the Corporation, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and

(g) The quality of the investment portfolio or the Corporation in relationship to the investments generated by the Management Company for its own account.

SECTION 19. Total Expenses. The Unaffiliated Directors shall determine, from time to time but at least annually, that the total fees and expenses of the Corporation are reasonable in light of all relevant factors. Within sixty days

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after the end of any fiscal quarter of the Corporation for which "Total Operating Expenses" (for the twelve months then ended) exceed two percent (2%) of "Average Invested Assets" or twenty-five percent (25%) of the "Net Income", whichever is greater, there shall be sent to the stockholders of the Corporation a written disclosure of such fact, together with an explanation of the factors the Unaffiliated Directors considered in arriving at the conclusion that such higher operating expenses were justified. The Corporation shall also publish to the stockholders quarterly (i) the ratio of the cost of raising capital during the quarter to the capital raised and (ii) the aggregate amount of advisory fees and the aggregate amount of other fees paid to any Management Company and all Affiliates of such Management Company by the Corporation and including fees or charges paid to such Management Company and all of its Affiliates by third parties doing business with the Corporation.

As used herein, the following terms shall have the following meanings:

(a) "Total Operating Expenses" for any period shall mean the aggregate expenses of every character which constitute ordinary operating expenses, including additional expenses paid directly or indirectly by the Corporation to a Management Company, its Affiliates or third parties based upon their relationship with the Corporation, including loan administration, servicing, and all other expenses paid by the Corporation, exclusive of expenses related to raising capital, for interest, taxes and direct property acquisition, disposition, operation, maintenance and management costs.

(b) "Average Invested Assets" for any period shall mean the average of the aggregate book value of the assets of the Corporation, determined on a consolidated basis, invested, directly or indirectly, in loans secured by real estate, before deduction of reserves for depreciation and similar non-cash reserves, computed taking the average of such values at the end of each calendar month during such period.

(c) "Net Income" for any period shall mean total revenues applicable to such period, less the expenses applicable to such period determined in accordance with generally accepted accounting principles.

ARTICLE IV

Committees of Directors

SECTION 1. Executive and Other Committees. The Board of Directors may, by resolution adopted by a majority of the Board, appoint from among its members an Executive Committee, an Audit Committee or other committees each composed of two or more directors. At least a majority of the members of any such committee shall be composed of directors who are Unaffiliated Directors. Any such committee shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it except that no such committee shall have such power or authority with respect to amending the Bylaws or Certificate of Incorporation, adopting an

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agreement of merger or consolidation, recommending to shareholders the sale, lease or exchange of all or substantially all of the Corporation's property or assets or the dissolution or the revocation of a dissolution of the Corporation, and, unless the resolution or the Bylaws or Certificate of Incorporation specifically so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger.

SECTION 2. Minutes and Reports. The committees shall keep minutes of their proceedings and shall report the same to the Board of Directors when requested to do so, and any action taken by the committees shall be subject to revision and alteration by the Board of Directors, provided that no rights of third persons shall be affected by any such revision or alteration.

SECTION 3. Notice. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board, and a waiver thereof in writing, signed by the directors entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the committee meeting in person shall be deemed equivalent to the giving of such notice to such director.

SECTION 4. Quorum, Voting and General. One-third, but not less than two, of the members of any committee shall be present in person at any meeting of such committee in order to constitute a quorum for the transaction of business. The act of a majority of the committee members present at such meeting shall be an act of the committee. The Board may designate a chairman of any committee and such chairman or any two members of any committee may fix the time and place of its meetings unless the Board shall otherwise provide. In the event of the absence or disqualification of any member of any committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. The Board shall have the power at any time to change the membership of any committee, to fill all

vacancies, to designate alternate members, to replace any absent or disqualified member or to dissolve any such committee.

ARTICLE V

Officers and Agents

SECTION 1. Number and Qualification. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer. The Corporation may also have as officers one or more Assistant Secretaries and one or more Assistant Treasurers. Two or more offices may be held by the same person but no officer shall execute, acknowledge or verify any instrument in more than one capacity, if such instrument is required by law, the Certificate of Incorporation or these Bylaws to be executed, acknowledged or verified by two

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or more officers. Such officers shall be elected by the Board of Directors at its first meeting after each annual meeting of stockholders and shall serve at the pleasure of the Board of Directors until resignation, removal, disqualification or until their successors are chosen and qualified. The Board of Directors may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

SECTION 2. Compensation. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors.

SECTION 3. Removal and Vacancies. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors for the unexpired portion of the term of the office which shall be vacant.

SECTION 4. The Chairman of the Board. The Chairman of the Board shall be the chief executive officer of the Corporation. He shall direct, coordinate and control the Corporation's business and activities and its operating expenses and capital expenditures, and shall have general authority to exercise all the powers necessary for the chief executive officer of the Corporation, all in accordance with basic policies established by and subject to the control of the Board of Directors. He may employ and discharge employees and agents of the Corporation, except such as shall be appointed by the Board, and he may delegate these powers. He shall have general authority to execute bonds, deeds and contracts in the name and on behalf of the Corporation. As provided in Section 8 of Article II, he shall act as chairman at all meetings of the stockholders at which he is present, and, as provided in Section 13 of Article III, he shall preside at all meetings of the Board of Directors at which he is present. In the absence of the Chairman of the Board, his duties shall be performed and his authority may be exercised by the President, and, in the absence of the Chairman of the Board and the President, such duties shall be performed and such authority may be exercised by the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, or in the absence of such Vice President, by such officer

as may have been designated by the most senior officer of the Corporation who has made any such designation, with the right reserved to the Board of Directors to make the designation or supersede any designation so made.

SECTION 5. The President. The President shall be the chief operating officer of the Corporation. He shall implement the general directives, plans and policies formulated by the Chairman of the Board pursuant to the Bylaws, in general shall have authority to exercise all powers delegated to him by the Chairman of the Board and shall establish operating and administrative plans and policies and direct and coordinate the Corporation's organizational components, within the scope of the authority delegated to him by the Board of Directors or

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the Chairman of the Board. He shall have general authority to execute bonds, deeds and contracts in the name and on behalf of the Corporation and responsibility for the employment or appointment and discharge of such employees, agents and officers, except such as shall be appointed by the Board, as may be required to carry on the operation of the business. As provided in Section 4 of this Article V, in the absence of the Chairman of the Board, the President shall perform all the duties and exercise the authority of the Chairman of the Board. In the absence of the President, his duties shall be performed and his authority may be exercised by the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, and, in the absence of the President and such Vice President, by such officer as may have been designated by the most senior officer of the Corporation who has made any such designation, with the right reserved to the Board of Directors to make the designation or supersede any designation so made.

SECTION 6. Vice Presidents. The Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

SECTION 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and shall record all the proceedings of the meetings of the Corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board or the President, under whose supervision he shall act. He shall keep in safe custody the seal of the Corporation and, when authorized by the Board of Directors, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature.

SECTION 8. Assistant Secretaries. Each Assistant Secretary shall perform such duties as may be assigned to him, and shall be under the supervision of such officer, as the Board of Directors or, in the absence of action by it, as the Chairman of the Board or the President may from time to time prescribe. In the event of the absence or disability of the Secretary, the duties of the Secretary shall be performed by such Assistant Secretary, or if there be more than one such then by the one designated by the Chairman of the Board or the President.

SECTION 9. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall

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disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, he shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 10. Assistant Treasurers. Each Assistant Treasurer shall perform such duties as may be assigned to him, and shall be under the supervision of such officer, as the Board of Directors or, in the absence of action by it, as the Chairman of the Board or the President may from time to time prescribe. In the event of the absence or disability of the Treasurer, the duties of the Treasurer shall be performed by such Assistant Treasurer, or if there be more than one such then by the one designated by the Chairman of the Board or the President.

SECTION 11. Delegation of Duties. In case of the absence of any officer of the Corporation, or for any other reason that the Board may deem sufficient, the Board may confer for the time being the powers or duties, or any of them, of such officer upon any other officer or upon any director.

ARTICLE VI

Certificates of Stock

SECTION 1. Form and Number. Each stockholder shall be entitled upon request to a certificate or certificates in such form as shall be approved by the Board which shall represent and certify the number and kind and class of shares owned by him in the Corporation; provided, however, that certificates for fractional shares shall not be issued. Each certificate shall be signed by the Chairman of the Board or the President or a Vice President and countersigned by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer and may be sealed with the corporate seal. The signatures may be either manual or facsimile signatures and the seal may be either facsimile or any other form of seal. In case any officer who has signed any certificate ceases to be an officer of the Corporation before the certificate is issued, the certificate may nevertheless be issued by the Corporation with the same effect as if the officer had not ceased to be such officer as of the date of its issue. Each stock certificate shall include on its face the name of the Corporation, the name of the stockholder and the class of stock and number of shares represented by the certificate. A stock certificate

may not be issued by the Corporation until the stock represented by it is fully paid by the stockholder.

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SECTION 2. Legends. Every stock certificate representing shares of stock which are restricted as to transferability by the Corporation shall contain a full statement of the restriction or state that the Corporation will furnish information about the restriction to the stockholder on request and without charge.

SECTION 3. Transfers of Shares. No transfers of shares of stock of the Corporation shall be made if (i) void ab initio pursuant to Article VI of the Corporation's Certificate of Incorporation, or (ii) the Board of Directors, pursuant to such Article VI, shall have refused to transfer such shares. Permitted transfers of shares of stock of the Corporation shall be made on the stock records of the Corporation only upon the instruction of the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a transfer agent or transfer clerk, and on surrender of the certificate or certificates, if issued, for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. Upon Surrender to the Corporation or the transfer agent of the Corporation of the certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, as to any transfers not prohibited by such Article VI of the Certificate of Incorporation or by action of the Board of Directors thereunder, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

SECTION 4. Regulations. The Board of Directors may make such additional rules and regulations, not inconsistent with these Bylaws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer agents or one or more transfer clerks and one or more registrars and may require all certificates for shares of stock to bear the signature or signatures of any of them.

SECTION 5. Lost, Destroyed or Mutilated Certificates. The holder of any certificates representing shares of stock of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of such certificate, and the Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it upon the making of an affidavit of that fact by the person claiming the certificate of stock to be stolen, lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such stolen, lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and to give the Corporation a bond, with sufficient surety, to indemnify it against any loss or claim which may arise by reason of the issuance of a new certificate.

ARTICLE VII

Dividends

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Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in the Corporation's own shares, subject to the provisions of any statute and of the Certificate of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interests of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

The Board may fix, in advance, a date not more than sixty days preceding the date fixed for the payment of any dividend or the making of any distribution or the allotment of rights to subscribe for securities of the Corporation, or for the delivery of evidences of rights or evidences of interests arising out of any change, conversion or exchange of stock or other securities, as the record date for the determination of the stockholders entitled to receive any such dividend, distribution, allotment, rights or interests, and in such case only the stockholders of record at the time so fixed shall be entitled to receive such dividend, distribution, allotment, rights or interests.

ARTICLE VIII

Indemnification

SECTION 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and

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administrators. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if

the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise.

SECTION 2. Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 3. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

ARTICLE IX

Fiscal Year

The fiscal year of the Corporation shall be the same as the calendar year and shall end on December 31 of each year.

ARTICLE X

Depositories and Custodians

SECTION 1. Depositories. The funds of the Corporation shall be deposited with such banks or other depositories as the Board of Directors of the Corporation may from time to time determine.

SECTION 2. Custodians. All securities and other investments shall be deposited in the safe keeping of such banks or other companies as the Board of Directors of the Corporation may from time to time determine.

ARTICLE XI

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Execution of Instruments

Checks, notes, drafts, acceptances, bills of exchange and other orders or obligations for the payment of money shall be signed by such officer or officers or person or persons as the Board of Directors by resolution shall from time to time designate.

ARTICLE XII

Independent Public Accountants

A firm of independent public accountants shall sign or certify the annual financial statements of the Corporation and shall be selected annually by the Board of Directors.

ARTICLE XIII

Stock Ledger, List of Shareholders, Books and Records

SECTION 1. Stock Ledger. The Corporation shall maintain at its principal executive office, or at the office of its transfer agent or registrar, an original stock ledger containing the names and addresses of all stockholders and the number of shares held by each stockholder. Such stock ledger may be in written form or any other form capable of being converted into written form within a reasonable time for visual inspection.

SECTION 2. Stockholder List. The Secretary or other officer in charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days prior to a meeting of stockholders, a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares of stock of the Corporation registered in the name of each stockholder. Such list shall be open to examination by any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list also shall be produced and kept at the place and time of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 3. Inspection of Books and Records. There shall be kept at the principal executive office of the Corporation correct and complete books and records of account of all the business and transactions of the Corporation.

In accordance with the General Corporation Laws of Delaware, any stockholder of the Corporation or his agent may inspect and copy during usual business hours the Corporation's stock ledger, an existing list of stockholders and other books and records.

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ARTICLE XIV

Amendments

The Board of Directors shall have the power, at any regular meeting or at any special meeting if notice thereof be included in the notice of such special meeting, to alter, modify or repeal any Bylaws of the Corporation and to make new Bylaws, except that the Board of Directors shall not alter, modify or repeal any of the following provisions of the Bylaws

(a) Article III, Section 3;

(b) The third sentence of Article III, Section 5;

(c) The second paragraph of Article III, Section 12;

(d) Article III, Section 17-19;

(e) The second sentence of Article IV, Section 1; and

(f) This Article XIV.

The stockholders shall have the power, at any annual meeting or at any special meeting if notice thereof be included in the notice of such special meeting, to alter, modify or repeal any Bylaws of the Corporation and to make new Bylaws.

AMENDMENT TO BYLAWS OF

COUNTRYWIDE MORTGAGE INVESTMENTS, INC.

(Adopted by the Board on 7/22/93)

The following resolution was duly adopted by the Board of Directors of the Company, by unanimous written consent without a meeting, effective as of July 22, 1993:

NOW, THEREFORE, BE IT RESOLVED, that the Bylaws of the Company be hereby amended as follows:

Article VI of the Bylaws is hereby amended by deleting the first sentence of Section 3 of said Article and adding in its place a new sentence to read in full as set forth below:

"No transfers of shares of stock of the Company shall be made if (i) void ab initio pursuant to Article VI of the Company's Certificate of Incorporation, (ii) the Board of Directors, pursuant to such Article VI, shall have refused to transfer such shares, or (iii) prohibited pursuant to Article XV of the Bylaws."

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The Bylaws of the company are hereby further amended by adding a new Article XV to read in full as set forth below:

"ARTICLE XV

ACQUISITION OF SHARES BY CERTAIN ORGANIZATIONS

Section 1. Affidavits of Stockholders and Transferees. Whenever it is deemed by the Board of Directors to be prudent in avoiding

(a) the direct or indirect imposition of a penalty tax on the Company (including the imposition of an entity-level tax on one or more real estate mortgage investment conduits ("REMICs") or one or more taxable mortgage pools in which the Company has acquired or plans to acquire an interest) or

(b) the endangerment of the tax status of one or more REMICs or one or more taxable mortgage pools in which the Company has acquired or plans to acquire an interest, the Board of Directors may require to be filed with the Company a statement or affidavit from any holder or proposed transferee of capital stock of the Company stating whether the holder or proposed transferee is

(i) the United States, any state or political subdivision thereof, any possession of the United States, any foreign government, any international organization, or any agency or instrumentality of the foregoing, or any other organization that is exempt from federal income taxation (including taxation under the unrelated business taxable income provisions of the Code) (a "Disqualified Organization") or

(ii) a partnership, trust, real estate investment trust, regulated investment company, or other pass-through entity in which a Disqualified Organization holds or is permitted to hold a direct or indirect beneficial interest (a "Pass-Through Entity").

Any contract for the sale or other transfer of shares of capital stock of the Company shall be subject to this provision. Furthermore, the Board of Directors shall have the right, but shall not be required, to refuse to transfer any shares of capital stock of the Company purportedly transferred, if either

(a) a statement or affidavit requested pursuant to this Section 1 has not been received, or

(b) the proposed transferee is a Disqualified Organization or Pass-Through Entity.

Section 2. Void Transfers. Any acquisition of shares of capital stock of the Company that could or would

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(a) result in the direct or indirect imposition of a penalty tax on the Company (including the imposition of an entity-level tax on one or more REMICs or one or more taxable mortgage pools in which the Company has acquired or plans to acquire an interest) or

(b) endanger the tax status of one or more REMICs or one or more taxable mortgage pools in which the company has acquired or plans to acquire an interest

shall be void ab initio to the fullest extent permitted under applicable law and the intended transferee of the subject shares shall be deemed never to have had an interest therein.

If the foregoing provision is determined to be void or invalid by virtue of any legal decision, statute, rule or regulation, then the transferee of those shares shall be deemed, at the option of the Company, to have acted as agent on behalf of the Company in acquiring those shares and to hold those shares on behalf of the Company.

Section 3. Redemption of Shares. Whenever it is deemed by the Board of Directors to be prudent in avoiding

(a) the direct or indirect imposition of a penalty tax on the Company (including the imposition of an entity-level tax on one or more REMICs or one or more taxable mortgage pools in which the Company has acquired or plans to acquire an interest) or

(b) the endangerment of the tax status of one or more REMICs or one or more taxable mortgage pools in which the Company has acquired or plans to acquire an interest,

the Company may redeem shares of its capital stock.

Any such redemption shall be conducted in accordance with the procedures set forth in Article VI, Section 6 of the Certificate of Incorporation of the Company regarding the repurchase of Excess Shares (as defined therein).

Section 4. Application of Article. Nothing contained in this Article or in any other provision hereof shall limit the authority of the Board of Directors to take any and all other action as it in its sole discretion deems necessary or advisable to protect the Company or the interests of its stockholders by avoiding

(a) the direct or indirect imposition of a penalty tax on the Company (including the imposition of an entity-level tax on one or more REMICs or one or more taxable mortgage pools in which the Company has acquired or plans to acquire an interest) or

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(b) the endangerment of the tax status of one or more REMICs or one or more taxable mortgage pools in which the Company has acquired or plans to acquire an interest.

Section 5. Severability. If any provision of this Article or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issue, the validity of the remaining provisions shall be affected only to the extent necessary to comply with the determination of that court."

AMENDMENT TO BYLAWS OF

CWM MORTGAGE HOLDINGS, INC.

(Adopted by the Board on 5/17/95)

The following resolution was duly adopted by the Board of Directors of the Corporation at a meeting duly called and held on May 17, 1995:

NOW, THEREFORE, BE IT RESOLVED, that the Bylaws of the Corporation be amended by adding to ARTICLE II a new Section 10 to read as follows:

"SECTION 10. Nominations for Directors. Nominations for the election of members of the Board of Directors at the annual meeting of stockholders may be made by the Board of Directors or by any holder of any outstanding class of voting stock of the Corporation entitled to vote for the election of directors. Nominations for the election of members of the Board of Directors shall be stated in writing and filed with the Secretary of the corporation on or before thirty days prior to the date of the annual meeting of stockholders, and such nominations so stated, proposed and filed with the Secretary shall be considered at the annual meeting."

AMENDMENT TO THE BYLAWS OF

CWM MORTGAGE HOLDINGS, INC.

(Adopted by the Board of Directors on January 20, 1997
and Approved by the Shareholders on June 24, 1997)

Article II, Section 3 of the Bylaws of the Company is hereby amended to delete the clause, "a majority of the Unaffiliated Directors (as defined in Article III, Section 3),"

Article III, Section 3 of the Bylaws of the Company is hereby amended to delete the first sentence thereof, which reads:

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"A majority of the members of the Board of Directors shall at all times be persons who are not Affiliates of an individual or corporate management company to whom the Board has delegated management duties as permitted in Section 18 of this Article and Article V, Section 7 of the Certificate of Incorporation (a 'Management Company') (such directors being referred to as 'Unaffiliated Directors')."

Article III, Section 5 of the Bylaws of the Company is hereby amended to delete the third sentence thereof, which reads:

"The vacancy for any reason of any director who is not an Affiliate of a Management Company shall be filled by a majority vote of the remaining members of the Board of Directors, including a majority vote of the remaining Unaffiliated Directors."

and replace such sentence with the following new sentence to read in full as set forth below:

"The vacancy for any reason of any director shall be filled by a majority vote of the remaining members of the Board of Directors."

Article III, Section 12 of the Bylaws of the Company is hereby amended to make the following changes to the second paragraph:

(i) delete the clause, "Notwithstanding the first paragraph of this Section 12, any action pertaining to a transaction involving the Corporation in which any Management Company, any director or officer of the Corporation or any Affiliate of any of the foregoing persons has an interest" and replace such clause with the following new clause, "Notwithstanding the first paragraph of this Section 12, any action pertaining to a transaction involving the Corporation in which any director or officer of the Corporation or any Affiliate of any of the foregoing persons has an interest";

(ii) add the word "and" after the semicolon in subsection (a);

(iii) remove the word "and" from after the semicolon in section (b); and

(iv) delete subsection (c), which reads: "(c) if the transaction involves compensation to any Management Company or its affiliates for services rendered in a capacity other than that contemplated by the management arrangements, to the knowledge of the directors such compensation is not greater than the customary charges for comparable services generally available from other competent unaffiliated persons."

Article III, Section 17 of the Bylaws of the Company is hereby amended:

(i) to delete the clause, ", including a majority of the Unaffiliated

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Directors"; and

(ii) to delete the following sentences, "The Unaffiliated Directors shall review the investment policies of the Corporation at least annually to determine that the policies then being followed by the Corporation are in the best interests of its stockholders. Each such determination and the basis therefor shall be set forth in the minutes of the Board of Directors."

Article III, Section 18 of the Bylaws of the Company is hereby deleted in its entirety and replaced with the following statement: "Section 18. [RESERVED]".

Article III, Section 19 of the Bylaws of the Company is hereby deleted in its entirety and replaced with the following statement: "Section 19. [RESERVED]".

Article IV, Section 1 of the Bylaws of the Company is hereby amended to delete the second sentence, which reads:

"At least a majority of the members of any such committee shall be composed of directors who are Unaffiliated Directors."

Article XIV of the Bylaws of the Company is hereby amended:

(i) to delete subsection (b);

(ii) to re-letter subsection (c) as subsection (b);

(iii) to replace subsection (d) with the following, "(c) Article III, Section 17; and";

(iv) to delete subsection (e); and

(v) to re-letter subsection (f) as subsection (d).

AMENDMENT TO THE BYLAWS OF
INDYMAC MORTGAGE HOLDINGS, INC.
(Adopted by the Board of Directors on 7/21/98)

The Bylaws of IndyMac Mortgage Holdings, Inc. are hereby amended to revise ARTICLE II so that the current Section 10 shall be deleted and the following Section 10 and Section 11 shall be added to the end of ARTICLE II:

"Section 10. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as

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directors of the Corporation, except as may be otherwise provided in the Certificate of Incorporation of the Corporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 10 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 10.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; _provided, however_, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or

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series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 10. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 11. Notice of Meetings. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting of stockholders by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; *provided*, *however*, that in the event that the annual meeting is

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called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 11, *provided*, *however*, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 11 shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted."

AMENDMENT TO THE BYLAWS OF
INDYMAC MORTGAGE HOLDINGS, INC.
(Adopted by the Board of Directors on 1/20/99)

The Bylaws of IndyMac Mortgage Holdings, Inc. are hereby amended to revise ARTICLE V as follows:

1. Section 4 shall be deleted in its entirety and replaced with the following:

"Section 4. The Chairman of the Board. The Chairman of the Board shall act as chairman at all meetings of the stockholders at which he is present, and shall preside at all meetings of the Board of Directors at which he is

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present. In the absence of the Chairman of the Board, his duties shall be performed and his authority may be exercised by the Chief Executive Officer, and, in the absence of the Chairman of the Board and the Chief Executive Officer, such duties shall be performed and such authority may be exercised by the President, and in the absence of the Chairman of the Board, the Chief Executive Officer and the President, such duties shall be performed and such authority may be exercised by the Chief Operating Officer. In the absence of the Chairman of the Board, the Chief Executive Officer, the President and the Chief Operating Officer, such duties shall be performed and such authority may be exercised by the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, or in the absence of such Vice President, by such officer as may have been designated by the most senior officer of the Corporation who has made any such designation, with the right reserved to the Board of Directors to make the designation or supersede any designation made. The Chairman of the Board shall have such other powers and duties as may be assigned by the Board of Directors from time to time. The Board of Directors may in its discretion appoint one individual to hold the positions of Chairman of the Board and Chief Executive Officer.

2. A new Section 4A shall be added as follows:

"Section 4A. The Chief Executive Officer. The Chief Executive Officer shall direct, coordinate and control the Corporation's business and activities and its operating expenses and capital expenditures, and shall have general authority to exercise all the powers necessary for the chief executive officer of the Corporation, all in accordance with basic policies established by and subject to the control of the Board of Directors. The Chief Executive Officer may employ and discharge employees and agents of the Corporation, and he may delegate these powers. He shall have general authority to execute bonds, deeds and contracts in the name and on behalf of the Corporation. As provided in Section 4 of this Article V, in the absence of the Chairman of the Board, the Chief Executive Officer shall perform all the duties and exercise the authority of the Chairman of the Board. In the absence of the Chairman of the Board and the Chief Executive Officer, the duties of the Chairman of the Board shall be performed and his authority may be exercised by the President, and in

the absence of the Chairman of the Board, the Chief Executive Officer and the President, the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, and, in the absence of such Vice President, by such officer as may have been designated by the most senior officer of the Corporation who has made any such designation, with the right reserved to the Board of Directors to make the designation or supersede any designation so made. The Board of Directors may in its discretion appoint one individual to hold the positions of Chairman of the Board and Chief Executive Officer."

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3. Section 5 shall be deleted in its entirety and replaced with the following:

"Section 5. The President. The President shall implement the general directives, plans and policies formulated by the Chief Executive Officer pursuant to the Bylaws and, in general, shall have authority to exercise all powers delegated to him by the Chief Executive Officer. He shall have general authority to execute bonds, deeds and contracts in the name and on behalf of the Corporation and responsibility for the employment or appointment and discharge of such employees, agents and officers, as may be required to carry on the operation of the business. As provided in Section 4 of this Article V, in the absence of the Chairman of the Board and the Chief Executive Officer, the President shall perform all the duties and exercise the authority of the Chairman of the Board. In the absence of the Chairman of the Board, the Chief Executive Officer and the President, the duties of the Chairman of the Board shall be performed and his authority may be exercised by the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, and, in the absence of such Vice President, by such officer as may have been designated by the most senior officer of the Corporation who has made any such designation, with the right reserved to the Board of Directors to make the designation or supersede any designation so made. The Board of Directors may in its discretion appoint one individual to hold the positions of President and Chief Operating Officer.

4. A new Section 5A shall be added as follows:

"Section 5A. The Chief Operating Officer. The Chief Operating Officer shall establish operating and administrative plans and policies and direct and coordinate the Corporation's organizational components, within the scope of the authority delegated to him by the Board of Directors. He shall have general authority to execute bonds, deeds and contracts in the name and on behalf of the Corporation. As provided in Section 4 of this Article V, in the absence of the Chairman of the Board, the Chief Executive Officer and the President, the Chief Operating Officer shall perform all the duties and exercise the authority of the Chairman of the Board. In the absence of the Chairman of the Board, the Chief Executive Officer, the President and the Chief Operating Officer, the duties of the Chairman of the Board shall be performed and his authority may be exercised by the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, and, in the absence of such Vice President, by such officer as may

have been designated by the most senior officer of the Corporation who has made any such designation, with the right reserved to the Board of Directors to make the designation or supersede any designation so made. The Board of Directors may in its discretion appoint one individual to hold the positions of President and Chief Operating Officer."

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Exhibit 10.57

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") has been executed as of December 30, 1998 by and between IndyMac Mortgage Holdings, Inc., a Delaware corporation ("Employer"), and David S. Loeb ("Officer").

W I T N E S S E T H:

WHEREAS, Officer currently holds the office of Chairman of the Board of Directors of Employer (the "Board"); and

WHEREAS, Employer desires to obtain the benefit of continued services of officer and Officer desires to continue to render services to Employer; and

WHEREAS, the Board has determined that it is in Employer's best interest and that of its stockholders to recognize the substantial contribution that Officer has made and is expected to continue to make to the Company's business and to retain his services in the future; and

WHEREAS, Employer and Officer desire to set forth the continued terms and conditions of Officer's employment with Employer under this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. Term. Employer agrees to employ Officer and Officer agrees to serve Employer, in accordance with the terms hereof, for a term beginning on January 1, 1999 (the "Effective Date") and ending on December 31, 2003, unless earlier terminated in accordance with the provisions hereof.

2. Specific Position; Duties and Responsibilities. Employer and Officer hereby agree that, subject to the provisions of this Agreement, Employer will employ Officer and Officer will serve Employer and its subsidiaries as Chairman of the Board. Employer agrees that Officer's duties hereunder shall be the usual and customary duties of the office of Chairman of the Board and such further duties consistent therewith as may be designated from time to time by the Board, and shall not be inconsistent with the provisions of the charter documents of Employer or applicable law. Officer shall have such executive power and authority as shall reasonably be required to enable him to discharge his duties in the offices which he may hold. All compensation paid to Officer

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by Employer or any of its subsidiaries shall be aggregated in determining whether Officer has received the benefits provided for herein.

3. Scope of this Agreement and Outside Affiliations. Except as expressly provided below, during the term of this Agreement, Officer shall devote such portion of his business time and energy as the Board may reasonably require to the business, affairs and interests of Employer and its subsidiaries, and matters related thereto, and shall use his best efforts and abilities to promote its interests. Officer agrees that he will diligently endeavor to promote the business, affairs and interests of Employer and its subsidiaries and perform services contemplated hereby, in accordance with the policies established by the Board, which policies shall be consistent with this Agreement. Officer agrees to serve without additional remuneration in such senior executive capacity not below the rank of Vice President for one or more (direct or indirect) subsidiaries of Employer as the Board may from time to time request, subject to appropriate authorization by the subsidiary or subsidiaries involved and any limitation under applicable law. Employer and Officer acknowledge and agree that Officer may perform his duties hereunder outside the State of California. Officer's failure to discharge an order or perform a function because Officer reasonably and in good faith believes such would violate a law or regulation or be dishonest shall not be deemed a breach by him of his obligations or duties pursuant to any of the provisions of this Agreement, including without limitation pursuant to Section 5(c) hereof.

Officer may not serve as a director or in any other capacity of any business enterprise, including an enterprise whose activities may involve or relate to the business of Employer, unless such service is expressly approved herein or by the Board. Officer may make and manage personal business investments of his choice and serve in any capacity with any civic, educational or charitable organization, or any governmental entity or trade association, without seeking or obtaining approval by the Board, provided such activities and services do not materially interfere or conflict with the performance of his duties hereunder.

Notwithstanding any provisions of this Section 3, Employer and Officer acknowledge that Officer currently serves as an officer and director of Countrywide Credit Industries, Inc. and certain of its subsidiaries ("Countrywide") and agree that Officer shall be permitted to perform such duties, engage in such activities and devote such portion of his business time and energy as may be required under the terms of his employment with Countrywide.

4. Compensation and Benefits.

(a) Base Salary. Employer shall pay to Officer a base salary in each fiscal year of Employer (a "Fiscal Year") or portion thereof covered by this

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Agreement at the annual rate of $550,000. Such base salary shall be subject to annual review by the Board for increase (but not decrease).

(b) Execution Bonus. Upon the execution of this Agreement by Officer and Employer (the "Execution Date"), Employer shall owe to Officer a one time execution bonus of $1,100,000. Employer shall pay such bonus to Officer as soon as practicable after the Execution Date.

(c) Restricted Stock and Stock Options. Upon the Execution Date, Employer shall grant to Officer 100,000 restricted shares of the Employer's common stock, such restricted shares to become vested and transferable as to 20,000 shares on each of the first five (5) anniversaries of the date of grant, provided that Officer remains in continuous service with Employer until such anniversary. In respect of each of the Fiscal Years during the term of this Agreement, Employer shall also grant to Officer stock options and/or restricted shares for such number of shares of Employer's common stock as the Compensation Committee of the Board in

its sole discretion determines (but not less than stock options for 100,000 shares of such common stock), taking into account Officer's and Employer's performance in each of such Fiscal Years and the competitive practices then prevailing regarding the granting of stock options and restricted shares. All stock options and restricted shares granted in accordance with this Section 4(c) shall be granted pursuant to the 1998 Stock Incentive Plan, as amended (the "1998 Plan"), or such other stock option plan or plans as may be or come into effect during the term of this Agreement and, in the case of stock options, shall have a per share exercise price equal to the fair market value (as defined in the 1998 Plan or such other plan or plans) of the common stock at the time of grant. The stock options granted pursuant to this Section shall consist of incentive stock options to the extent permitted by law or regulation.

(d) Additional Benefits. Officer shall also be entitled to all rights and benefits for which he is otherwise eligible under any bonus plan, stock purchase plan, participation or extra compensation plan, executive compensation plan, pension plan, profit-sharing plan, life and medical insurance policy, or other plans or benefits, which Employer or its subsidiaries may provide for him, or provided he is eligible to participate therein, for senior officers generally or for employees generally, during the term of this Agreement (collectively, "Additional Benefits"). This Agreement shall not affect the provision of any other compensation, retirement or other benefit program or plan of Employer.

(e) Continuation of Benefits. If Officer's employment is terminated hereunder, pursuant to Section 5(a), 5(b) or 5(d) hereof, Employer shall

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continue for the period specified in Section 5(a) or 5(b) hereof or three years in the case of a termination pursuant to Section 5(d) hereof, as the case may be, to provide benefits substantially equivalent to Additional Benefits (other than qualified pension or profit-sharing plan benefits and option, equity or stock appreciation or other incentive plan benefits as distinguished from health, disability and welfare type benefits) on behalf of Officer and his dependents and beneficiaries which were being provided to them immediately prior to Officer's Termination Date, but only to the extent that Officer is not entitled to comparable benefits from other employment.

(f) Deferral of Amounts Payable Hereunder. In the event Officer should desire to defer receipt of any cash payments to which he would otherwise be entitled hereunder, he may elect to do so under Employer's nonqualified deferred compensation program, subject to the terms and conditions of such program.

(g) Termination Bonus. Upon the termination of Officer's employment hereunder for any reason other than Cause (including, without limitation, death, Disability, Good Reason, voluntary termination and nonrenewal or expiration of this Agreement), the Employer shall owe to Officer a one-time termination bonus of $1,000,000, in addition to any other amounts or benefits payable to Officer under Section 5. Employer shall pay such bonus to Officer as soon as practicable after the date of such termination.

5. Termination. The compensation and benefits provided for herein and the employment of Officer by Employer shall be terminated only as provided for below in this Section 5:

(a) Disability. In the event that Officer shall fail, because of illness, injury or similar incapacity ("Disability"), to render for four (4) consecutive calendar months, or for shorter periods aggregating eighty (80) or more business days in any twelve (12) month period, services contemplated by this Agreement, Officer's full-time employment hereunder may be terminated, by written Notice of Termination from Employer to Officer; and thereafter, Employer shall continue, from the Termination Date until Officer's death or the tenth (10th) anniversary of such notice, whichever first occurs (the "Disability Payment Period"), (i) to pay compensation to Officer, in the same manner as in effect immediately prior to the Termination Date, in an amount equal to (1) sixty percent (60%) of the then existing base-salary payable immediately prior to the termination, minus (2) the amount of any cash payments to him under the terms of Employer's disability insurance or other disability benefit plans or Employer's tax-qualified defined benefit pension plan, and any compensation he may receive pursuant to any other employment (other than compensation for disability), (ii) to provide during the Disability Payment Period the benefits

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specified in Section 4(e) hereof, and (iii) to continue during the Disability Payment Period the vesting of all option, equity and stock appreciation rights granted to Officer.

The determination of Disability shall be made only after 30 days notice to Officer and only if Officer has not returned to performance of his duties during such 30-day period. In order to determine Disability, both Employer and Officer shall have the right to provide medical evidence to support their respective positions, with the ultimate decision regarding Disability to be made by a majority of Employer's disinterested directors.

(b) Death. In the event that Officer shall die during the term of this Agreement, Employer shall pay Officer's base salary for the remainder of the term of this Agreement following the date of Officer's death and in the manner otherwise payable hereunder, to such person or persons as Officer shall have directed in writing or, in the absence of a designation, to his estate (the "Beneficiary"). Employer shall also provide during the three (3) year period following the date of the Officer's death the benefits specified in Section 4(e) hereof and fully vest all option, equity and stock appreciation rights granted to Officer. If Officer's death occurs while he is receiving payments for Disability under Section 5(a)(i) above, such payments shall cease and the Beneficiary shall be entitled to the payments and benefits under this Subsection (b). This Agreement in all other respects will terminate upon the death of Officer; provided, however, that the termination of the Agreement shall not affect Officer's entitlement to all other benefits in which he has become vested or which are otherwise payable in respect of periods ending prior to or upon its termination.

(c) Cause. Employer may terminate Officer's employment under this Agreement for "Cause." A termination for Cause is a termination by reason of (i) a material breach of this Agreement by Officer (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith or without reasonable belief that such breach is in the best interests of Employer and which is not remedied within a reasonable period of time after receipt of written notice from Employer specifying such breach, (ii) Officer's conviction by a court of competent jurisdiction of a felony, or (iii) entry of an order duly issued by any federal or state regulatory agency having jurisdiction in the matter removing Officer from office of

Employer or its subsidiaries or permanently prohibiting him from participating in the conduct of the affairs of Employer or any of its subsidiaries. If Officer shall be convicted of a felony or shall be removed from office and/or temporarily prohibited from participating in the conduct of Employer's or any of its subsidiaries' affairs by any federal or state regulatory authority having jurisdiction in the matter, Employer's obligations under Sections 4(a) and 4(c) hereof shall be automatically suspended; provided, however, that if the charges

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resulting in such removal or prohibition are finally dismissed or if a final judgment on the merits of such charges is issued in favor of Officer, or if the conviction is overturned on appeal, then Officer shall be reinstated in full with back pay for the removal period plus accrued interest at the rate then payable on judgments. During the period that Employer's obligations under Sections 4(a) and 4(c) hereof are suspended, Officer shall continue to be entitled to receive Additional Benefits under Section 4(d) until the conviction of the felony or removal from office has become final and non-appealable. When the conviction of the felony or removal from office has become final and non-appealable, all of Employer's obligations hereunder shall terminate; provided, however, that the termination of Officer's employment pursuant to this Section 5(c) shall not affect Officer's entitlement to all benefits in which he has become vested or which are otherwise payable in respect of periods ending prior to or upon his termination of employment.

(d) Good Reason. Officer may terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" shall be deemed to occur if (i) Employer notifies Officer of a termination of his employment other than for Cause, (ii) Employer breaches this Agreement in any material respect, (iii) the Board (A) elects a person other than Officer as Employer's Chairman of the Board without Officer's consent, (B) reorganizes management so as to require him to report to a person or persons other than the Board, or (C) takes any other action which, in Officer's sole judgment, results in the diminution in Officer's status, title, position and responsibilities other than an insubstantial action not taken in bad faith and which is remedied by Employer promptly after receipt of notice by Officer, or (iv) Officer is not elected to the Board. Notwithstanding the foregoing, Officer may terminate his employment for any or no reason within one year following a "Change in Control" (as defined in Appendix A to this Agreement) and such termination shall be considered a termination for Good Reason hereunder. If Officer's employment shall be terminated by Employer other than for Cause or by Officer for Good Reason, then Employer shall pay to Officer in a single payment, as severance pay and in lieu of any further salary and incentive compensation for periods subsequent to the Termination Date, but in addition to the payment under Section 4(g), an amount in cash equal to (a) if such termination occurs in 1999, 2.99 times the Officer's base amount as determined under Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), on the Termination Date (the "Base Amount"), (b) if such termination occurs in 2000, 2.50 times the Base Amount, (c) if such termination occurs in 2001, 2.00 times the Base Amount, (d) if such termination occurs in 2002, 1.50 times the Base Amount, and (e) if such termination occurs in 2003, 1.00 times the Base Amount.

If in the opinion of tax counsel selected by Officer and reasonably acceptable to Employer, Officer has or will receive any compensation or recognize any income (whether or not pursuant to this Agreement or any plan or other arrangement of Employer and whether or not Officer's employment with Employer has terminated, unless such employment is terminated for

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Cause) which will constitute an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code (or for which a tax is otherwise payable under Section 4999 of the Code or any successor provision thereto), then Employer shall pay Officer an additional amount (the "Additional Amount") equal to the sum of (i) all taxes payable by Officer under Section 4999 of the Code with respect to all such excess parachute payments and any such Additional Amount, plus (ii) all federal, state and local income taxes payable by Officer with respect to any such Additional Amount. Any amounts payable pursuant to this paragraph shall be paid by Employer to Officer within 30 days of each written request therefor made by Officer.

(e) Resignation. Except as provided in Section 5(d) hereof, if during the term of this Agreement, Officer shall resign voluntarily, all of his rights to payment or benefits hereunder shall immediately terminate; provided, however, that the termination of Officer's employment pursuant to this Section 5(e) shall not affect Officer's entitlement to all benefits in which he has become vested or which are otherwise payable in respect of periods ending prior to or upon his termination of employment, including the payment under Section 4(g).

(f) Notice of Termination. Any purported termination by Employer or by Officer shall be communicated by a written Notice of Termination to the other party hereto which indicates the specific termination provision in this Agreement, if any, relied upon and which sets forth in reasonable detail the facts and circumstances, if any, claimed to provide a basis for termination of Officer's employment under the provision so indicated. For purposes of this Agreement, no such purported termination shall be effective without such Notice of Termination. The "Termination Date" shall mean the date specified in the Notice of Termination, which shall be no less than 30 or more than 60 days from the date of the Notice of Termination. Notwithstanding any other provision of this Agreement, in the event of any termination of Officer's employment hereunder for any reason, Employer shall pay Officer his full base salary through the Termination Date, plus any Additional Benefits which have been earned or become payable, but which have not yet been paid as of such Termination Date.

(g) Payments. All payments required under this Agreement (other than the Additional Benefits payable pursuant to Section 4(e) hereof) as a result of the termination of Officer's employment hereunder shall be made within 15 days of the Termination Date or, if any portion is not then reasonably determinable, within five (5) days after such portion is so determinable. In the event of a dispute concerning the validity of a purported termination which is maintained in good faith, the Termination Date shall mean the date the dispute is finally resolved and Employer will continue to provide Officer with the compensation and benefits provided for under this Agreement, until the dispute is finally resolved without any obligation by Officer to repay any of such amounts to Employer, notwithstanding the final outcome of the dispute. Payments required

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to be made by this Section 5(g) are in addition to all other amounts due under Section 5 of this Agreement and shall not be offset against or reduce any other amounts due under Section 5 of this Agreement. Officer shall be required to render services to Employer during the period following his Termination Date but before the dispute concerning the termination is finally determined unless Employer fails to provide Officer with a reasonable opportunity to perform his duties under this Agreement during such period.

6. Reimbursement of Business Expenses. During the term of this Agreement, Employer shall reimburse Officer promptly for all expenditures (including travel, entertainment, parking, business meetings, and the monthly costs (including dues) of maintaining memberships at appropriate clubs) to the extent that such expenditures meet the requirements of the Code for deductibility by Employer for federal income tax purposes or are otherwise in compliance with the rules and policies of Employer and are substantiated by Officer as required by the Internal Revenue Service and rules and policies of Employer.

7. Indemnity. To the extent permitted by applicable law, the Certificate of Incorporation and the By-Laws of Employer (as from time to time in effect) and any indemnity agreements entered into from time to time between Employer and Officer, Employer shall indemnify Officer and hold him harmless for any acts or decisions made by him in good faith while performing services for Employer, and shall use reasonable efforts to obtain coverage for him under liability insurance policies now in force or hereafter obtained during the term of this Agreement covering the other officers or directors of Employer.

8. Miscellaneous.

(a) Succession. This Agreement shall inure to the benefit of and shall be binding upon Employer, its successors and assigns, but without the prior written consent of Officer, this Agreement may not be assigned other than in connection with a merger or sale of substantially all the assets of the Employer or similar transaction. Employer shall not agree to any such transaction unless the successor to or assignee of Employer's business and/or assets in such transaction expressly assumes all obligations of the Employer hereunder. The obligations and duties of Officer hereby shall be personal and not assignable.

(b) Notices. Any notices provided for in this Agreement shall be sent to Employer at 155 North Lake Avenue, Pasadena, California 91101, Attention: Corporate Counsel/Secretary, with a copy to the Chairman of the Compensation Committee at the same address, or to such other address as Employer may from time to time in writing designate (or his business address of record in

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the absence of such designation). All notices shall be deemed to have been given two (2) business days after they have been deposited as certified mail, return receipt requested, postage paid and properly addressed to the designated address of the party to receive the notices.

(c) Entire Agreement. This instrument contains the entire agreement of the parties relating to the subject matter hereof, and it replaces and supersedes any prior agreements between the parties relating to said subject matter. No modifications or amendments of this Agreement (including, but not limited to the provisions of Section 4 hereof) shall be valid unless made in writing and signed by the parties hereto.

(d) Waiver. The waiver of the breach of any term or of any condition of this Agreement shall not be deemed to constitute the waiver of any other breach of the same or any other term or condition.

(e) California Law. This Agreement shall be construed and interpreted in accordance with the laws of California.

(f) Attorneys' Fees in Action on Contract. If any litigation shall occur between the Officer and Employer, which litigation arises out of or as a result of this Agreement or the acts of the parties hereto pursuant to this Agreement, or which seeks an interpretation of this Agreement, the prevailing party in such litigation, in addition to any other judgment or award, shall be entitled to receive such sums as the court hearing the matter shall find to be reasonable as and for the attorneys' fees of the prevailing party.

(g) Confidentiality. Officer agrees that he will not divulge or otherwise disclose, directly or indirectly, any trade secret or other confidential information concerning the business or policies of Employer or any of its subsidiaries which he may have learned as a result of his employment during the term of this Agreement or prior thereto as an employee, officer or director of or consultant to Employer or any of its subsidiaries, except to the extent such use or disclosure is (i) necessary or appropriate to the performance of this Agreement and in furtherance of Employer's best interests, (ii) required by applicable law, (iii) lawfully obtainable from other sources, or (iv) authorized by Employer. The provisions of this subsection shall survive the expiration, suspension or termination, for any reason, of this Agreement.

(h) Remedies of Employer. Officer acknowledges that the services he is obligated to render under the provisions of this Agreement are of a special, unique, unusual, extraordinary and intellectual character, which gives this

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Agreement peculiar value to Employer. The loss of these services cannot be reasonably or adequately compensated in damages in an action at law and it would be difficult (if not impossible) to replace these services. By reason thereof, Officer agrees and consents that if he violates any of the material provisions of this Agreement, Employer, in addition to any other rights and remedies available under this Agreement or under applicable law, shall be entitled during the remainder of the term to seek injunctive relief, from a tribunal of competent jurisdiction, restraining Officer from committing or continuing any violation of this Agreement, or from the performance of services to any other business entity, or both.

(i) Severability. If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances.

(j) No Obligation to Mitigate. Officer shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise and, except as provided in Section 5(a)(i)(2) hereof, no payment hereunder shall be offset or reduced by the amount of any compensation or benefits provided to Officer in any subsequent employment.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

INDYMAC MORTGAGE
HOLDINGS, INC.

ATTEST

s:/ Richard H. Wohl
Richard H. Wohl
Title: Secretary

By: s:/Michael W. Perry
Michael W. Perry
Title: Secretary

OFFICER:

s:/ David S. Loeb
David S. Loeb, in his individual capacity

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APPENDIX A
To David S. Loeb Employment Agreement

A "Change in Control" shall mean the occurrence during the term of the Agreement, of any one of the following events:

(a) An acquisition (other than directly from Employer) of any common stock or other "Voting Securities" (as hereinafter defined) of Employer by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty five percent (25%) or more of the then outstanding shares of Employers common stock or the combined voting power of Employer's then outstanding Voting Securities; *provided, however*, that in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. For purposes of this Agreement, (1) "Voting Securities" shall mean Employer's outstanding voting securities entitled to vote generally in the election of directors and (2) a "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) Employer or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by Employer (for purposes of this definition, a "Subsidiary"), (ii) Employer or any of its Subsidiaries, (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined), or (iv) Countrywide or any of its affiliates (the "Countrywide Entities");

(b) The individuals who, as of the date of the Agreement are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the members of the Board; *provided, however*, that if the election, or nomination for election by Employer's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; *provided further, however*, that no individual shall be considered a member

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of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of:

(i) A merger, consolidation or reorganization involving Employer, unless such merger, consolidation or reorganization is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a merger, consolidation or reorganization of Employer into, with or involving any Countrywide Entity or where:

(A) the stockholders of Employer, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately following such merger, consolidation or reorganization, at least seventy percent (70%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation, or in the event that, immediately following the consummation of such transaction, a corporation beneficially owns, directly or indirectly, a majority of the Voting Securities of the Surviving Corporation, the board of directors of such corporation; and

(C) no Person other than (i) Employer, (ii) any Subsidiary, (iii) any employee benefit plan (or any trust forming a part thereof) maintained by Employer, the Surviving Corporation, or any Subsidiary, (iv) any Countrywide Entity, or (v) any Person who, immediately prior to such merger, consolidation or reorganization had

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Beneficial Ownership of twenty five percent (25%) or more of the then outstanding Voting Securities or common stock of Employer, has Beneficial Ownership of twenty five percent (25%) or more of the combined voting power of the Surviving Corporation's then outstanding Voting Securities or its common stock;

(ii) A complete liquidation or dissolution of Employer; or

(iii) The sale or other disposition of all or substantially all of the assets of Employer to any Person (other than a transfer to a Subsidiary or to any Countrywide Entity).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding common stock or Voting Securities as a result of the acquisition of common stock or Voting Securities by Employer which, by reducing the number of shares of common stock or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons; provided, however, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of common stock or Voting Securities by Employer, and after such share acquisition by Employer, the Subject Person becomes the Beneficial Owner of any additional common stock or Voting Securities which increases the percentage of the then outstanding common stock or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

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Exhibit 10.58

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") has been executed as of December 23, 1998 by and between IndyMac Mortgage Holdings, Inc., a Delaware corporation ("Employer"), and Angelo R. Mozilo ("Officer").

W I T N E S S E T H:

WHEREAS, Officer currently holds the offices of Vice Chairman of the Board of Directors of Employer (the "Board") and Chief Executive Officer of Employer; and

WHEREAS, Employer desires to obtain the benefit of continued services of officer and Officer desires to continue to render services to Employer; and

WHEREAS, the Board has determined that it is in Employer's best interest and that of its stockholders to recognize the substantial contribution that Officer has made and is expected to continue to make to the Company's business and to retain his services in the future; and

WHEREAS, Employer and Officer desire to set forth the continued terms and conditions of Officer's employment with Employer under this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. Term. Employer agrees to employ Officer and Officer agrees to serve Employer, in accordance with the terms hereof, for a term beginning on January 1, 1999 (the "Effective Date") and ending on December 31, 2003, unless earlier terminated in accordance with the provisions hereof.

2. Specific Position; Duties and Responsibilities. Employer and Officer hereby agree that, subject to the provisions of this Agreement, Employer will employ Officer and Officer will serve Employer and its subsidiaries as Vice Chairman of the Board and Chief Executive Officer of Employer. Employer agrees that Officer's duties hereunder shall be the usual and customary duties of the offices of Vice Chairman of the Board and Chief Executive Officer and such further duties consistent therewith as may be designated from time to time by the Board, and shall not be inconsistent with the provisions of the charter documents of Employer or applicable law. Officer shall have such executive

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power and authority as shall reasonably be required to enable him to discharge his duties in the offices which he may hold. All compensation paid to Officer by Employer or any of its subsidiaries shall be aggregated in determining whether Officer has received the benefits provided for herein.

3. Scope of this Agreement and Outside Affiliations. Except as expressly provided below, during the term of this Agreement, Officer shall devote such portion of his business time and energy as the Board may reasonably require to the business, affairs and interests of Employer

and its subsidiaries, and matters related thereto, and shall use his best efforts and abilities to promote its interests. Officer agrees that he will diligently endeavor to promote the business, affairs and interests of Employer and its subsidiaries and perform services contemplated hereby, in accordance with the policies established by the Board, which policies shall be consistent with this Agreement. Officer agrees to serve without additional remuneration in such senior executive capacity not below the rank of Vice President for one or more (direct or indirect) subsidiaries of Employer as the Board may from time to time request, subject to appropriate authorization by the subsidiary or subsidiaries involved and any limitation under applicable law. Employer and Officer acknowledge and agree that Officer may perform his duties hereunder outside the State of California. Officer's failure to discharge an order or perform a function because Officer reasonably and in good faith believes such would violate a law or regulation or be dishonest shall not be deemed a breach by him of his obligations or duties pursuant to any of the provisions of this Agreement, including without limitation pursuant to Section 5(c) hereof.

Officer may not serve as a director or in any other capacity of any business enterprise, including an enterprise whose activities may involve or relate to the business of Employer, unless such service is expressly approved herein or by the Board. Officer may make and manage personal business investments of his choice and serve in any capacity with any civic, educational or charitable organization, or any governmental entity or trade association, without seeking or obtaining approval by the Board, provided such activities and services do not materially interfere or conflict with the performance of his duties hereunder.

Notwithstanding any provisions of this Section 3, Employer and Officer acknowledge that Officer currently serves as an officer and director of Countrywide Credit Industries, Inc. and certain of its subsidiaries ("Countrywide") and agree that Officer shall be permitted to perform such duties, engage in such activities and devote such portion of his business time and energy as may be required under the terms of his employment with Countrywide.

4. Compensation and Benefits.

(a) Base Salary. Employer shall pay to Officer a base salary in each

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fiscal year of Employer (a "Fiscal Year") or portion thereof covered by this Agreement at the annual rate of $550,000. Such base salary shall be subject to annual review by the Board for increase (but not decrease).

(b) Execution Bonus. Upon the execution of this Agreement by Officer and Employer (the "Execution Date"), Employer shall owe to Officer a one time execution bonus of $1,100,000. Employer shall pay such bonus to Officer as soon as practicable after the Execution Date.

(c) Restricted Stock and Stock Options. Upon the Execution Date, Employer shall grant to Officer 100,000 restricted shares of the Employer's common stock, such restricted shares to become vested and transferable as to 20,000 shares on each of the first five (5) anniversaries of the date of grant, provided that Officer remains in continuous service with Employer until such anniversary. In respect of each of the Fiscal Years during the term of this Agreement, Employer shall also grant to Officer stock options and/or restricted shares for such

number of shares of Employer's common stock as the Compensation Committee of the Board in its sole discretion determines (but not less than stock options for 100,000 shares of such common stock), taking into account Officer's and Employer's performance in each of such Fiscal Years and the competitive practices then prevailing regarding the granting of stock options and restricted shares. All stock options and restricted shares granted in accordance with this Section 4(c) shall be granted pursuant to the 1998 Stock Incentive Plan, as amended (the "1998 Plan"), or such other stock option plan or plans as may be or come into effect during the term of this Agreement and, in the case of stock options, shall have a per share exercise price equal to the fair market value (as defined in the 1998 Plan or such other plan or plans) of the common stock at the time of grant. The stock options granted pursuant to this Section shall consist of incentive stock options to the extent permitted by law or regulation.

(d) Additional Benefits. Officer shall also be entitled to all rights and benefits for which he is otherwise eligible under any bonus plan, stock purchase plan, participation or extra compensation plan, executive compensation plan, pension plan, profit-sharing plan, life and medical insurance policy, or other plans or benefits, which Employer or its subsidiaries may provide for him, or provided he is eligible to participate therein, for senior officers generally or for employees generally, during the term of this Agreement (collectively, "Additional Benefits"). This Agreement shall not affect the provision of any other compensation, retirement or other benefit program or plan of Employer.

(e) Continuation of Benefits. If Officer's employment is terminated hereunder, pursuant to Section 5(a), 5(b) or 5(d) hereof, Employer shall continue for the period specified in Section 5(a) or 5(b) hereof or three years

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in the case of a termination pursuant to Section 5(d) hereof, as the case may be, to provide benefits substantially equivalent to Additional Benefits (other than qualified pension or profit-sharing plan benefits and option, equity or stock appreciation or other incentive plan benefits as distinguished from health, disability and welfare type benefits) on behalf of Officer and his dependents and beneficiaries which were being provided to them immediately prior to Officer's Termination Date, but only to the extent that Officer is not entitled to comparable benefits from other employment.

(f) Deferral of Amounts Payable Hereunder. In the event Officer should desire to defer receipt of any cash payments to which he would otherwise be entitled hereunder, he may elect to do so under Employer's nonqualified deferred compensation program, subject to the terms and conditions of such program.

(g) Termination Bonus. Upon the termination of Officer's employment hereunder for any reason other than Cause (including, without limitation, death, Disability, Good Reason, voluntary termination and nonrenewal or expiration of this Agreement), the Employer shall owe to Officer a one-time termination bonus of $1,000,000, in addition to any other amounts or benefits payable to Officer under Section 5. Employer shall pay such bonus to Officer as soon as practicable after the date of such termination.

5. Termination. The compensation and benefits provided for herein and the employment of Officer by Employer shall be terminated only as provided for below in this Section 5:

(a) Disability. In the event that Officer shall fail, because of illness, injury or similar incapacity ("Disability"), to render for four (4) consecutive calendar months, or for shorter periods aggregating eighty (80) or more business days in any twelve (12) month period, services contemplated by this Agreement, Officer's full-time employment hereunder may be terminated, by written Notice of Termination from Employer to Officer; and thereafter, Employer shall continue, from the Termination Date until Officer's death or the tenth (10th) anniversary of such notice, whichever first occurs (the "Disability Payment Period"), (i) to pay compensation to Officer, in the same manner as in effect immediately prior to the Termination Date, in an amount equal to (1) sixty percent (60%) of the then existing base-salary payable immediately prior to the termination, minus (2) the amount of any cash payments to him under the terms of Employer's disability insurance or other disability benefit plans or Employer's tax-qualified defined benefit pension plan, and any compensation he may receive pursuant to any other employment (other than compensation for disability), (ii) to provide during the Disability Payment Period the benefits specified in Section 4(e) hereof, and (iii) to continue during the Disability Payment Period the vesting of all option, equity and stock appreciation rights granted to Officer.

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The determination of Disability shall be made only after 30 days notice to Officer and only if Officer has not returned to performance of his duties during such 30-day period. In order to determine Disability, both Employer and Officer shall have the right to provide medical evidence to support their respective positions, with the ultimate decision regarding Disability to be made by a majority of Employer's disinterested directors.

(b) Death. In the event that Officer shall die during the term of this Agreement, Employer shall pay Officer's base salary for the remainder of the term of this Agreement following the date of Officer's death and in the manner otherwise payable hereunder, to such person or persons as Officer shall have directed in writing or, in the absence of a designation, to his estate (the "Beneficiary"). Employer shall also provide during the three (3) year period following the date of the Officer's death the benefits specified in Section 4(e) hereof and fully vest all option, equity and stock appreciation rights granted to Officer. If Officer's death occurs while he is receiving payments for Disability under Section 5(a)(i) above, such payments shall cease and the Beneficiary shall be entitled to the payments and benefits under this Subsection (b). This Agreement in all other respects will terminate upon the death of Officer; provided, however, that the termination of the Agreement shall not affect Officer's entitlement to all other benefits in which he has become vested or which are otherwise payable in respect of periods ending prior to or upon its termination.

(c) Cause. Employer may terminate Officer's employment under this Agreement for "Cause." A termination for Cause is a termination by reason of (i) a material breach of this Agreement by Officer (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith or without reasonable belief that such breach is in

the best interests of Employer and which is not remedied within a reasonable period of time after receipt of written notice from Employer specifying such breach, (ii) Officer's conviction by a court of competent jurisdiction of a felony, or (iii) entry of an order duly issued by any federal or state regulatory agency having jurisdiction in the matter removing Officer from office of Employer or its subsidiaries or permanently prohibiting him from participating in the conduct of the affairs of Employer or any of its subsidiaries. If Officer shall be convicted of a felony or shall be removed from office and/or temporarily prohibited from participating in the conduct of Employer's or any of its subsidiaries' affairs by any federal or state regulatory authority having jurisdiction in the matter, Employer's obligations under Sections 4(a) and 4(c) hereof shall be automatically suspended; provided, however, that if the charges resulting in such removal or prohibition are finally dismissed or if a final judgment on the merits of such charges is issued in favor of Officer, or if the conviction is overturned on appeal, then Officer shall be reinstated in full with back pay for the removal period plus accrued interest at the rate then payable on judgments. During the period that

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Employer's obligations under Sections 4(a) and 4(c) hereof are suspended, Officer shall continue to be entitled to receive Additional Benefits under Section 4(d) until the conviction of the felony or removal from office has become final and non-appealable. When the conviction of the felony or removal from office has become final and non-appealable, all of Employer's obligations hereunder shall terminate; provided, however, that the termination of Officer's employment pursuant to this Section 5(c) shall not affect Officer's entitlement to all benefits in which he has become vested or which are otherwise payable in respect of periods ending prior to or upon his termination of employment.

(d) Good Reason. Officer may terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" shall be deemed to occur if (i) Employer notifies Officer of a termination of his employment other than for Cause, (ii) Employer breaches this Agreement in any material respect, (iii) the Board (A) elects a person other than Officer as Employer's Vice Chairman of the Board or Chief Executive Officer without Officer's consent, (B) reorganizes management so as to require him to report to a person or persons other than the Board, or (C) takes any other action which, in Officer's sole judgment, results in the diminution in Officer's status, title, position and responsibilities other than an insubstantial action not taken in bad faith and which is remedied by Employer promptly after receipt of notice by Officer, or (iv) Officer is not elected to the Board. Notwithstanding the foregoing, Officer may terminate his employment for any or no reason within one year following a "Change in Control" (as defined in Appendix A to this Agreement) and such termination shall be considered a termination for Good Reason hereunder. If Officer's employment shall be terminated by Employer other than for Cause or by Officer for Good Reason, then Employer shall pay to Officer in a single payment, as severance pay and in lieu of any further salary and incentive compensation for periods subsequent to the Termination Date, but in addition to the payment under Section 4(g), an amount in cash equal to (a) if such termination occurs in 1999, 2.99 times the Officer's base amount as determined under Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), on the Termination Date (the "Base Amount"), (b) if such termination occurs in 2000, 2.50 times the Base Amount, (c) if such termination occurs in 2001, 2.00 times the Base Amount, (d) if such termination occurs in 2002, 1.50 times the Base Amount, and (e) if such termination occurs in 2003, 1.00 times the Base Amount.

If in the opinion of tax counsel selected by Officer and reasonably acceptable to Employer, Officer has or will receive any compensation or recognize any income (whether or not pursuant to this Agreement or any plan or other arrangement of Employer and whether or not Officer's employment with Employer has terminated, unless such employment is terminated for Cause) which will constitute an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code (or for which a tax is otherwise payable under Section 4999 of the Code or any successor provision thereto), then Employer shall pay Officer an additional amount (the "Additional Amount") equal to the sum of (i) all taxes payable by Officer under Section 4999 of the Code with respect to all such excess parachute payments and any such Additional Amount, plus (ii) all federal, state and local income taxes payable by Officer with respect to any

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such Additional Amount. Any amounts payable pursuant to this paragraph shall be paid by Employer to Officer within 30 days of each written request therefor made by Officer.

(e) Resignation. Except as provided in Section 5(d) hereof, if during the term of this Agreement, Officer shall resign voluntarily, all of his rights to payment or benefits hereunder shall immediately terminate; provided, however, that the termination of Officer's employment pursuant to this Section 5(e) shall not affect Officer's entitlement to all benefits in which he has become vested or which are otherwise payable in respect of periods ending prior to or upon his termination of employment, including the payment under Section 4(g).

(f) Notice of Termination. Any purported termination by Employer or by Officer shall be communicated by a written Notice of Termination to the other party hereto which indicates the specific termination provision in this Agreement, if any, relied upon and which sets forth in reasonable detail the facts and circumstances, if any, claimed to provide a basis for termination of Officer's employment under the provision so indicated. For purposes of this Agreement, no such purported termination shall be effective without such Notice of Termination. The "Termination Date" shall mean the date specified in the Notice of Termination, which shall be no less than 30 or more than 60 days from the date of the Notice of Termination. Notwithstanding any other provision of this Agreement, in the event of any termination of Officer's employment hereunder for any reason, Employer shall pay Officer his full base salary through the Termination Date, plus any Additional Benefits which have been earned or become payable, but which have not yet been paid as of such Termination Date.

(g) Payments. All payments required under this Agreement (other than the Additional Benefits payable pursuant to Section 4(e) hereof) as a result of the termination of Officer's employment hereunder shall be made within 15 days of the Termination Date or, if any portion is not then reasonably determinable, within five (5) days after such portion is so determinable. In the event of a dispute concerning the validity of a purported termination which is maintained in good faith, the Termination Date shall mean the date the dispute is finally resolved and Employer will continue to provide Officer with the compensation and benefits provided for under this Agreement, until the dispute is finally resolved without any obligation by Officer to repay any of such amounts to Employer, notwithstanding the final outcome of the dispute. Payments required to be made by this Section 5(g) are in addition to all other amounts due under Section 5 of this Agreement and shall not be offset against or reduce any other amounts due under Section 5 of this Agreement. Officer shall be required to render services to

Employer during the period following his Termination Date but before the dispute concerning the termination is finally determined unless Employer fails to

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provide Officer with a reasonable opportunity to perform his duties under this Agreement during such period.

6. Reimbursement of Business Expenses. During the term of this Agreement, Employer shall reimburse Officer promptly for all expenditures (including travel, entertainment, parking, business meetings, and the monthly costs (including dues) of maintaining memberships at appropriate clubs) to the extent that such expenditures meet the requirements of the Code for deductibility by Employer for federal income tax purposes or are otherwise in compliance with the rules and policies of Employer and are substantiated by Officer as required by the Internal Revenue Service and rules and policies of Employer.

7. Indemnity. To the extent permitted by applicable law, the Certificate of Incorporation and the By-Laws of Employer (as from time to time in effect) and any indemnity agreements entered into from time to time between Employer and Officer, Employer shall indemnify Officer and hold him harmless for any acts or decisions made by him in good faith while performing services for Employer, and shall use reasonable efforts to obtain coverage for him under liability insurance policies now in force or hereafter obtained during the term of this Agreement covering the other officers or directors of Employer.

8. Miscellaneous.

(a) Succession. This Agreement shall inure to the benefit of and shall be binding upon Employer, its successors and assigns, but without the prior written consent of Officer, this Agreement may not be assigned other than in connection with a merger or sale of substantially all the assets of the Employer or similar transaction. Employer shall not agree to any such transaction unless the successor to or assignee of Employer's business and/or assets in such transaction expressly assumes all obligations of the Employer hereunder. The obligations and duties of Officer hereby shall be personal and not assignable.

(b) Notices. Any notices provided for in this Agreement shall be sent to Employer at 155 North Lake Avenue, Pasadena, California 91101, Attention: Corporate Counsel/Secretary, with a copy to the Chairman of the Compensation Committee at the same address, or to such other address as Employer may from time to time in writing designate (or his business address of record in the absence of such designation). All notices shall be deemed to have been given two (2) business days after they have been deposited as certified mail, return receipt requested, postage paid and properly addressed to the designated address of the party to receive the notices.

(c) Entire Agreement. This instrument contains the entire agreement of the parties relating to the subject matter hereof, and it replaces and

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supersedes any prior agreements between the parties relating to said subject matter. No modifications or amendments of this Agreement (including, but not limited to the provisions of Section 4 hereof) shall be valid unless made in writing and signed by the parties hereto.

(d) Waiver. The waiver of the breach of any term or of any condition of this Agreement shall not be deemed to constitute the waiver of any other breach of the same or any other term or condition.

(e) California Law. This Agreement shall be construed and interpreted in accordance with the laws of California.

(f) Attorneys' Fees in Action on Contract. If any litigation shall occur between the Officer and Employer, which litigation arises out of or as a result of this Agreement or the acts of the parties hereto pursuant to this Agreement, or which seeks an interpretation of this Agreement, the prevailing party in such litigation, in addition to any other judgment or award, shall be entitled to receive such sums as the court hearing the matter shall find to be reasonable as and for the attorneys' fees of the prevailing party.

(g) Confidentiality. Officer agrees that he will not divulge or otherwise disclose, directly or indirectly, any trade secret or other confidential information concerning the business or policies of Employer or any of its subsidiaries which he may have learned as a result of his employment during the term of this Agreement or prior thereto as an employee, officer or director of or consultant to Employer or any of its subsidiaries, except to the extent such use or disclosure is (i) necessary or appropriate to the performance of this Agreement and in furtherance of Employer's best interests, (ii) required by applicable law, (iii) lawfully obtainable from other sources, or (iv) authorized by Employer. The provisions of this subsection shall survive the expiration, suspension or termination, for any reason, of this Agreement.

(h) Remedies of Employer. Officer acknowledges that the services he is obligated to render under the provisions of this Agreement are of a special, unique, unusual, extraordinary and intellectual character, which gives this Agreement peculiar value to Employer. The loss of these services cannot be reasonably or adequately compensated in damages in an action at law and it would be difficult (if not impossible) to replace these services. By reason thereof, Officer agrees and consents that if he violates any of the material provisions of this Agreement, Employer, in addition to any other rights and remedies available under this Agreement or under applicable law, shall be entitled during the remainder of the term to seek injunctive relief, from a tribunal of competent jurisdiction, restraining Officer from committing or continuing any violation of this Agreement, or from the performance of services to any other business entity, or both.

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(i) Severability. If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances.

(j) No Obligation to Mitigate. Officer shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise and, except as provided in Section 5(a)(i)(2) hereof, no payment hereunder shall be offset or reduced by the amount of any compensation or benefits provided to Officer in any subsequent employment.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

INDYMAC MORTGAGE
HOLDINGS, INC.

ATTEST

s:/ Richard H. Wohl	By: /s/ Michael W. Perry
Richard H. Wohl	Michael W. Perry
Title: Secretary	Title: Secretary

OFFICER:

s:/ Angelo R. Mozilo

Angelo R. Mozilo, in his individual capacity

APPENDIX A
To Angelo R. Mozilo Employment Agreement

A "Change in Control" shall mean the occurrence during the term of the Agreement, of any one of the following events:

(a) An acquisition (other than directly from Employer) of any common stock or other "Voting Securities" (as hereinafter defined) of Employer by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), immediately after which such

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Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty five percent (25%) or more of the then outstanding shares of Employers common stock or the combined voting power of Employer's then outstanding Voting Securities; provided, however, that in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. For purposes of this Agreement, (1) "Voting Securities" shall mean Employer's outstanding voting securities entitled to vote generally in the election of directors and (2) a "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) Employer or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by Employer (for purposes of this definition, a "Subsidiary"), (ii) Employer or any of its Subsidiaries, (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined), or (iv) Countrywide or any of its affiliates (the "Countrywide Entities");

(b) The individuals who, as of the date of the Agreement are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the members of the Board;

provided, however, that if the election, or nomination for election by Employer's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of:

(i) A merger, consolidation or reorganization involving Employer, unless such merger, consolidation or reorganization is a "Non-Control Transaction." A "Non-

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Control Transaction" shall mean a merger, consolidation or reorganization of Employer into, with or involving any Countrywide Entity or where:

(A) the stockholders of Employer, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately following such merger, consolidation or reorganization, at least seventy percent (70%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation, or in the event that, immediately following the consummation of such transaction, a corporation beneficially owns, directly or indirectly, a majority of the Voting Securities of the Surviving Corporation, the board of directors of such corporation; and

(C) no Person other than (i) Employer, (ii) any Subsidiary, (iii) any employee benefit plan (or any trust forming a part thereof) maintained by Employer, the Surviving Corporation, or any Subsidiary, (iv) any Countrywide Entity, or (v) any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty five percent (25%) or more of the then outstanding Voting Securities or common stock of Employer, has Beneficial Ownership of twenty five percent (25%) or more of the combined voting power of the Surviving Corporation's then outstanding Voting Securities or its common stock;

(ii) A complete liquidation or dissolution of Employer; or

(iii) The sale or other disposition of all or substantially all of the assets of Employer to any Person (other than a transfer to a Subsidiary or to any Countrywide Entity).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding common stock

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or Voting Securities as a result of the acquisition of common stock or Voting Securities by Employer which, by reducing the number of shares of common stock or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons; provided, however, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of common stock or Voting Securities by Employer, and after such share acquisition by Employer, the Subject Person becomes the Beneficial Owner of any additional common stock or Voting Securities which increases the percentage of the then outstanding common stock or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

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Exhibit 21.1

SUBSIDIARIES OF INDYMAC MORTGAGE HOLDINGS, INC.

SUBSIDIARY	STATE OF INCORPORATION OR ORIGINATION	OWNERSHIP
IndyMac CLCA SPC I, Inc.	Delaware	Direct
IndyMac Mortgage Obligations, Inc.	Delaware	Direct
IndyMac Mortgage Obligations II, Inc.	Delaware	Direct

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EXHIBIT 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated February 26, 1999, accompanying the consolidated financial statements and schedule included in the Annual Report of IndyMac Mortgage Holdings, Inc. on Form 10-K for the year ended December 31, 1998. We hereby consent to the incorporation by reference of said report in the Registration Statements of IndyMac Mortgage Holdings, Inc. on Form S-8 (File No. 33-8442, effective August 25, 1986, File No. 33-32562, effective December 15, 1989, File No. 33-56267, effective October 31, 1994, File No. 333-08905, effective July 31, 1996, File No. 333-36085, effective September 22, 1997 and File No. 333-55907, effective June 3, 1998) and on Form S-3 (File No. 333-41329, effective January 2, 1998, File No. 333-47297, effective March 18, 1998, File No. 333-61625, effective August 17, 1998, File No. 333-51609, effective August 21, 1998 and File No. 333-71329, effective January 28, 1999).

/s/ GRANT THORNTON LLP

Los Angeles, California
February 26, 1999

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