

Press Releases

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OTS 01-30 - OTS Reports Interest Rate Risk Reduction for Thrift Industry in 4th Quarter

Office of Thrift Supervision

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For further information

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OTS Reports Interest Rate Risk Reduction For Thrift Industry in 4th Quarter

WASHINGTON - The Office of Thrift Supervision (OTS) reported today that only 3.5 percent of thrifts were at high risk from a hypothetical 200 basis point fluctuation in interest rates at the end of the fourth quarter. That's a 42 percent reduction from six percent at the end of the third quarter and eight percent last June.

At the same time, the percentage of thrifts at minimal risk from a significant interest rate fluctuation stood at 70 percent at the end of the fourth quarter, up from 62 percent last September and 55 percent last June. "These results reflect the combination of an improved interest rate environment and the strength of the thrift industry," said OTS Director Ellen Seidman.

OTS measures interest rate risk using a net portfolio value (NPV) model to estimate a thrift's market value of portfolio equity, and the impact on that estimate of an adverse 200 basis point shift in interest rates. The OTS's *Quarterly Review of Interest Rate Risk* summarizes the results of these interest rate stress tests for the thrift industry. These stress tests were conducted on 969 thrifts out of 1,068 total, including all of the largest thrifts. The *Quarterly Review* is posted on the OTS Web site: www.ots.treas.gov.

Overall, thrift industry interest rate sensitivity - a measure of the NPV ratio decline after an interest rate shock - fell 31 basis points in the fourth quarter to 180 basis points as interest rates declined. Interest rates at all maturities fell in the fourth quarter, with particularly sharp declines in rates over the one- to five-year range of the Treasury yield curve.

Quarterly Review - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2001-30a.pdf>

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders

and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.