

Press Releases

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OTS 98-91 - OTS Thrift Industry Earns Record \$2.23 Billion in Third Quarter Office of Thrift Supervision

NEWS

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For further information

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Contact: William Fulwider

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Thrift Industry Earns Record \$2.23 Billion in Third Quarter

WASHINGTON, D.C., Dec. 2, 1998 - The nation's thrift industry earned a record \$2.23 billion in the third quarter of 1998, passing the previous record of \$2.10 billion in the second quarter, Director Ellen Seidman of the Office of Thrift Supervision (OTS) reported today. The industry's equity capital also reached a new high, while its ratio of troubled assets to total assets declined to a new low.

One-time events, primarily restructuring gains-on-sale, contributed to the record earnings, but one-time losses from revaluations of mortgage servicing portfolios and acquisition related expenses substantially offset these extraordinary gains. Absent one-time events, earnings in each of the first three quarters of 1998 were approximately \$1.8 billion. The third quarter ROA of 113 basis points also exceeded the previous quarterly record of 107 basis points in the second quarter of 1998 and was well above the 71 basis points earned one year ago. Absent one-time events, third quarter 1998 ROA was approximately 100 basis points. Equity capital reached a record high of 8.58 percent in third quarter, ahead of the previous record of 8.56 percent in the second quarter. Again, 98 percent of OTS-supervised thrifts met or exceeded the requirements for the highest capital category - well capitalized.

Third quarter earnings reflect a continued strong role for thrifts in the robust single-family mortgage market. Gains on assets held-for-sale, primarily 30-year fixed rate mortgages, have accounted for most of the increase in 1998 earnings over 1997. Lower provisions for losses, 23 basis points in the third quarter compared to 26 basis points one year ago, stable net interest margins and continued growth in other fees and charges to 52 basis points from 48 basis points one year ago have also buttressed the higher thrift third quarter earnings and ROA. Third quarter earnings one year ago were \$1.3 billion.

Deposits continued to decline in the third quarter to 62.6 percent of total assets, largely replaced by borrowings, which rose to 25.6 percent of assets. In the second quarter, deposits

represented 64.1 percent of total thrift assets; one year ago, they were 65.8 percent of thrift assets.

"This continued decline in lower cost deposits has forced thrifts to rely more on advances from their federal home loan banks," said Director Seidman. "While advances cost more, thrifts have taken advantage of the current flat yield curve by lengthening the weighted average remaining maturity on borrowings to 21.3 months in the third quarter from 12.3 months a year ago, while reducing the weighted average cost of fixed-rate borrowing to 5.67 percent from 5.90 percent a year ago." The industry also held down funding costs by increasing its use of non-interest bearing transactional accounts.

Total mortgage originations during the third quarter were \$78.61 billion, a new record, slightly higher than the prior record of \$78.58 in the second quarter. Bolstered by refinancing activity, third quarter single-family mortgage originations accounted for \$67.5 billion, or 86 percent of total originations. The thrift industry originated a record \$67.7 billion in single-family mortgages during the second quarter.

The number of thrifts supervised by OTS declined by 11 from the second quarter to 1,170, largely due to mergers within the thrift industry. During the quarter, 26 thrifts left OTS supervision, while 15 new thrifts were chartered. While the number of OTS-supervised thrifts continued to decline, total thrift assets supervised by OTS increased by an annualized 4.65 percent to \$795.44 billion, from \$786.30 billion in the second quarter.

Asset quality for the thrift industry continued to improve. Troubled assets fell to \$6.4 billion in the third quarter, or 0.80 percent of assets, from \$6.8 billion (0.87 percent) in the second quarter. Troubled assets are at their lowest level since OTS began using this measure of asset quality in 1990. Noncurrent loan rates also fell during the third quarter for all four major types of thrift assets - single-family mortgages, multi-family and commercial mortgages, consumer loans and commercial/small business loans.

The number of problem thrifts - those with CAMELS ratings of 4 or 5 - remained at 18, the same as the previous quarter. One year ago OTS counted 23 problem thrifts.

Related Web Documents

- OTS-Regulated Thrift Industry--[Third Quarter 1998 Highlights](#) (12/02/98)
- OTS-Regulated Thrift Industry--[Third Quarter 1998 Charts](#) (12/02/98)
- Selected Indicators, Condition, and Operations Data for OTS-Regulated Private-Sector Thrifts--[Third Quarter 1998](#) (12/02/98)

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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' 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 call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov.