

Press Releases

June 2, 1999

OTS 99-35 - Nation's Thrift Industry Earns \$2.1 Billion In First Quarter 1999

Office of Thrift Supervision

News Release

FOR RELEASE at 11:15 A.M. EST

For further information

Wednesday, June 2, 1999

Contact: Paul Lockwood

OTS 99-35

202/906-6693

Nation's Thrift Industry Earns \$2.1 Billion In First Quarter 1999

WASHINGTON, D.C., June 2, 1999 - The nation's thrift industry earned \$2.1 billion in the first quarter 1999, Director Ellen Seidman of the Office of Thrift Supervision (OTS) reported today. First quarter earnings were the third best of any quarter, up from \$1.4 billion in the fourth quarter 1998 and \$1.9 billion one year ago. The sharp increase in first quarter earnings over the fourth quarter was primarily due to lower overhead expense, which had spiked in the fourth quarter due to one-time restructuring charges. Non-interest expense - overhead - declined to 2.13 percent of average assets in the first quarter from 2.53 percent in the fourth quarter and 2.20 percent one year ago. Also contributing to first quarter profits were lower provisions for losses, reflecting a record low level of troubled assets.

"The industry's strong earnings and decreasing operating expenses in the face of declining mortgage originations are indications that thrifts are, once again, effectively adapting to changing economic conditions," said Director Seidman. "It is critical, however, that in reducing operating expenses, thrifts maintain effective operating and monitoring systems and strong internal controls," she added.

First quarter single-family mortgage originations were \$66.1 billion, down from the record \$81.5 billion in the prior quarter, but up from \$58.9 billion one year ago. Total mortgage originations were \$77.4 billion in the first quarter, compared to \$93.7 billion in the fourth quarter and \$67.5 billion one year ago. Total mortgage originations include multi-family and non-residential mortgages, in addition to single-family mortgages.

Return on average assets (ROA) was 100 basis points in the first quarter, up from 69 basis points in the fourth quarter and 97 basis points one year ago. Return on average equity (ROE) was 12.28 percent in the first quarter, compared to 8.21 percent in the fourth quarter and 11.58 in the first quarter 1998.

The aggregate industry equity capital-to-assets ratio fell to 8.14 percent of assets, from 8.23 percent in the previous quarter and 8.40 percent one year ago, due to a reduction in unrealized gains on available-for-sale securities and asset growth. In the first quarter, almost 98 percent of OTS regulated thrifts met or exceeded well-capitalized standards. As of March 31, two thrifts were undercapitalized, one of them critically undercapitalized.

Deposits continued to decline as a funding source for loans, falling to 59.2 percent of assets in the first quarter, from 61.0 percent in the fourth quarter and 64.8 percent one year ago. Thrifts have generally used borrowings, specifically advances from federal home loan banks, to replace these deposit losses. Federal home loan bank advances rose to 29.4 percent of assets in the first quarter from 27.5 percent in the fourth quarter and 23.8 percent in the first quarter 1998.

The number of thrift institutions regulated by OTS declined to 1,129 in the first quarter from 1,145 in the fourth quarter and 1,195 one year ago. During the first quarter, 25 thrifts left OTS jurisdiction, including 16 that were merged with or acquired by another thrift or bank. Partially offsetting the departures were nine new thrifts that received OTS charters in the first quarter, including six start-up institutions and three existing institutions that converted to a federal thrift charter.

Asset growth of remaining OTS thrifts substantially exceeded the asset losses from exiting thrifts in the first quarter. Total first quarter assets were \$835.04 billion, up from \$817.61 billion in the fourth quarter and \$780.15 billion one year ago.

Asset quality trends for the thrift industry continue to be favorable. Troubled assets fell to \$6.1 billion, or 0.73 percent of industry assets in the first quarter, the lowest level since 1990 when that measure was first used. Troubled assets were down from \$6.3 billion, or 0.77 percent, in the fourth quarter. In addition, noncurrent loan rates for the four major types of assets held by thrifts - single family mortgages, multi-family and nonresidential mortgages, consumer loans and commercial loans - all declined during the first quarter.

Problem thrifts, those with CAMELS ratings of 4 or 5, declined in the first quarter to 14, or 1.2 percent of all thrifts, from 15, or 1.3 percent, in the prior quarter

###

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 <http://www.ots.treas.gov>.