

Press Releases

June 7, 2000

OTS 00-53 - Q1 2000 - U.S. Thrift Industry Earns \$2.23 Billion in First Quarter

Office of Thrift Supervision

FOR RELEASE at 10:00 A.M. EDT

For further information

Wednesday, June 7, 2000

Contact: Paul Lockwood

OTS 00-53

202/906-6693

U.S. Thrift Industry Earns \$2.23 Billion in First Quarter

WASHINGTON, D.C., June 7, 2000 - The nation's thrift industry earned \$2.23 billion in the first quarter of 2000, compared with the previous quarter's \$1.97 billion and \$2.06 billion a year ago, Director Ellen Seidman of the Office of Thrift Supervision (OTS) reported today.

The industry continued its strong earnings of the past several years, and bolstered by one-time gains, edged up to a new quarterly record. Return on average assets (ROA) increased to 1.04 percent from 0.93 percent in the fourth quarter of 1999; 98 percent of the industry remained well capitalized; troubled assets reached a new low of 61 basis points of total industry assets; and operating efficiency improved so that thrifts spent only 58 cents to generate \$1 of core income, compared to about 60 cents in the previous quarter.

"The industry is to be commended for its performance, especially in view of rising interest rates and lower demand for loans," said Director Seidman. "However, behind the good numbers reported by the vast majority of thrifts, lie areas of increasing concern for some. These include not only rising interest rate sensitivity, but also insufficient controls, inadequately developed and executed business plans involving higher risk activities, and poor credit administration practices. Some of these problems are already reflected in the increase from 68 to 80 in the number of institutions rated CAMELS 3. We are examining, monitoring and supervising these institutions with increased intensity," she said.

The number of problem thrifts $\frac{3}{4}$ those with exam ratings of 4 or 5 $\frac{3}{4}$ increased by two to 14 in the first quarter. Assets of problem thrifts were \$5.3 billion, down from \$5.4 billion in the fourth quarter.

The industry's ratio of equity capital to total assets declined to 7.69 percent in the first quarter from 7.79 percent in the fourth quarter. Median industry sensitivity to interest rate risk increased to 239 basis points from 144 basis points one year ago, although median net portfolio value increased from 10.8 percent at the end of the fourth quarter of 1999 to 11.4 percent at the end of the first quarter of 2000.

Mortgage originations fell sharply in the first quarter due to higher interest rates and fewer loans being refinanced. First quarter 1-4 family mortgage originations were \$39.7 billion, down

17 percent from the \$47.9 billion in new mortgages during the fourth quarter. Because of higher interest rates, adjustable rate mortgages (ARMs) accounted for 75 percent of first quarter thrift originations, up significantly from only 38 percent one year ago. Loan refinancing fell a fraction to 10.5 percent of originations. The thrift share of all mortgage originations grew to 19.9 percent from 18.8 percent a year ago.

Thrift assets remain concentrated in 1-4 family mortgage loans at 47.9 percent of total assets, compared to 2.6 percent for commercial loans, 6.2 percent for consumer loans, and 2.1 percent for construction loans.

The number of thrift institutions regulated by OTS declined by six to 1,097 in the first quarter, while total industry assets increased at an annualized rate of 2.4 percent to \$868.7 billion. During the first quarter, 16 thrifts left OTS supervision, on par with the previous quarter, and 10 thrifts came under OTS supervision, including five new institutions and five that converted their charters.

###

The Office of Thrift Supervision (OTS), an office 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.