

## Press Releases

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### OTS 07-037 - Thrift Industry Performance Solid in First Quarter

#### Office of Thrift Supervision

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For further information

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OTS 07-037

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### Thrift Industry Performance Solid in First Quarter

**Washington, D.C.** -- The Office of Thrift Supervision (OTS) reported today that the nation's thrift industry posted solid earnings and profitability in the first quarter of 2007 despite continued weakness in the housing market and a flat-to-inverted yield curve.

Although problem asset levels continued to rise, reflecting the slowing housing sector and other economic conditions, they remain at relatively low levels. The OTS continues to encourage thrifts to work with borrowers to find solutions for loan delinquencies to avoid foreclosures and keep people in their homes. The agency noted that thrifts continue to hold strong capital and increase provisions for loan losses in the current environment. Industry highlights include:

- Net income for the quarter was \$3.6 billion, up 15 percent from \$3.1 billion in the previous quarter but down 14 percent from the near-record \$4.2 billion a year ago.
- Profitability, as measured by return on average assets, was 0.97 percent, up from 0.89 percent in the previous quarter but down from 1.14 percent a year ago.
- The net interest margin (NIM) rose to 2.81 percent of average assets from 2.71 percent in the previous quarter and 2.77 percent a year ago. This improvement was attributable to the upward adjustment of rates on adjustable rate loans.
- The ratio of troubled assets to total assets increased to 0.80 percent from 0.70 percent the prior quarter and from 0.64 percent one year ago. Thrifts added \$1.2 billion to loan loss provisions during the quarter.
- The capital-to-asset ratio was a strong 10.70 percent, compared with the record 10.72 percent in the previous quarter and up from 9.36 percent a year ago.
- Assets were \$1.49 trillion, an increase of 5.6 percent from \$1.41 trillion in the previous quarter but down slightly from nearly \$1.5 trillion a year ago.

The OTS cited several highlights regarding mortgage originations during the quarter:

- The thrift industry originated 23 percent of all 1-4 family mortgages in the U.S.
- Total mortgage originations (including multifamily and nonresidential) were \$168.8 billion, up from \$134.3 billion in the previous quarter and \$164.6 billion a year ago. Refinancing activity accounted for 47 percent of all originations in the quarter, up from 39 percent in the previous quarter and 35 percent a year ago.

- About 4 percent of industry assets are held in subprime loans, with relatively few thrifts engaged in programmatic subprime lending. As a group, these institutions have manageable levels of problem loans, diversified operations and strong capital.

The OTS also reported:

- Of the 838 thrifts regulated by the OTS, there were six problem thrifts (with composite examination ratings of 4 or 5). This is unchanged from the previous quarter. Also for the quarter, there were 62 thrifts with a composite examination rating of 3, which is up 5 from 57 in the prior quarter.
- At the end of the first quarter, the OTS supervised 473 U.S.-domiciled holding company enterprises, with consolidated assets of approximately \$8.0 trillion.

Thrift Industry Charts - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-37a.pdf>

Thrift Industry Selected Indicators - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-37b.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).

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