

Press Releases

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OTS 07-058 - Thrift Industry Performance Remains Solid in Second Quarter

Office of Thrift Supervision

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Thrift Industry Performance Remains Solid in Second 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 second quarter of 2007 despite the effects of a slowing housing market and flat-to-inverted yield curve.

Although delinquencies for most types of loans continued their recent rise from record-low levels, asset quality remained strong by historical standards. Thrifts responded to this environment by maintaining strong capital and increasing provisions for loan losses. The combination of solid earnings, strong capital and increasing loan-loss provisions will permit thrifts to withstand any further weakening in the housing market.

"The industry is financially strong," said OTS Director John Reich. "We have entered a phase of the credit cycle that will be more challenging than in recent years, but I believe the industry's record capitalization levels demonstrate that institutions are prepared for these new challenges."

Industry highlights include:

- Net income was \$3.84 billion in the second quarter, up 6.3 percent from \$3.61 billion in the previous quarter, but down 8.6 percent from the near-record level of \$4.21 billion in the second quarter one year ago.
- Profitability, as measured by return on average assets (ROA), was 1.02 percent in the second quarter, up from 0.97 percent in the previous quarter, but down from 1.11 percent in the comparable quarter a year ago.
- Troubled assets--loans 90 days or more past due and loans in nonaccrual status, plus repossessed assets--were 0.95 percent of all assets during the second quarter, an increase from 0.80 in the prior quarter and 0.62 percent one year ago. The increase was primarily due to higher delinquencies for 1 to 4 family mortgages and construction loans.
- Thrift capital levels are at record levels. Equity capital as a percent of total assets was 10.81 percent in the second quarter, up from 10.70 percent in the prior quarter and 9.25 percent one year ago.

- Total mortgage origination volume rose during the quarter, due to typical seasonal growth and increased volume in mortgage refinancing. Originations totaled \$194.6 billion, up 14 percent from \$171.1 billion in the second quarter one year ago and up 15 percent from \$169.2 billion in the prior quarter.
- OTS-regulated thrifts originated 23.7 percent of all 1-4 family loans nationwide during the second quarter, up from 22.8 percent in the previous quarter and 19.7 percent in the comparable quarter a year ago.
- OTS supervised 836 thrifts with \$1.5 trillion in assets at the end of the second quarter. There were 10 problem thrifts (with composite examination ratings of 4 or 5), an increase from four a year ago. Ninety-nine percent of thrifts--holding 99.7 percent of industry assets--exceeded the "well-capitalized" regulatory capital standards.
- OTS supervised 472 holding company enterprises in the second quarter with approximately \$8.5 trillion in U.S. domiciled consolidated assets.

Thrift Industry Highlights - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-58a.pdf>

Thrift Industry Charts - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-58b.pdf>

Thrift Industry Selected Indicators - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-58c.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.
