

Press Releases

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Office of Thrift Supervision

NEWS

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For further information

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Thrift Industry Earns Record \$2.10 Billion in Second Quarter

WASHINGTON, D.C., Sept. 2, 1998 - The nation's thrift industry earned a record \$2.10 billion in the second quarter of 1998, surpassing the previous record of \$1.93 billion in the second quarter of 1996, Director Ellen Seidman of the Office of Thrift Supervision (OTS) reported today. Return on average assets (ROA) and capital also set new quarterly records.

Second quarter earnings increased approximately 12 percent from first-quarter 1998 earnings of \$1.87 billion and about 24 percent from \$1.69 billion in the second quarter of 1997. The strong performance in the 1998 second quarter was boosted to a record by a large tax benefit at one institution. Tax benefits also figured prominently in the 1996 second quarter milestone.

The record ROA of 108 basis points topped the previous record of 101 basis points in the second quarter of 1996. ROA was 97 basis points in the first quarter of this year and 89 basis points one year ago.

"While a relatively stable net interest margin has significantly contributed to the industry's strong earnings, higher non-interest income, particularly fee income, bolstered earnings in the second quarter compared with the 1997 second quarter," Ms. Seidman said.

"The yield curve continues to challenge thrifts. Both the industry and OTS need to remain vigilant with respect to underwriting and risk management, especially for new lines of business. We also will be focusing particular attention on internal controls," she said.

Gains from the sale of assets, reflecting strong mortgage origination and sales activity, also contributed to the rise in non-interest income. Total mortgage originations, including multi-family and non-residential mortgages, reached a new high of \$78.6 billion in the second quarter. The previous high was \$69.1 billion in the fourth quarter of 1993. Single-family mortgage originations alone increased to \$67.7 billion in the second quarter, up 15 percent from the first quarter. As in the first quarter, refinancings continued to bolster second quarter single-family mortgage originations.

Provisions for losses, meanwhile, were 19 percent lower than a year ago. A corresponding decline in chargeoffs left loss allowances at a stable 0.9 percent of assets. Troubled assets declined to \$6.8 billion, or 0.87 percent of total assets, the lowest level since OTS began measuring this factor in 1990. Delinquency rates fell for all loan types except for commercial loans, which increased slightly.

Equity capital of 8.56 percent in the second quarter eclipsed the first-quarter record of 8.40 percent, and 98 percent of OTS-regulated thrifts met or exceeded the requirements for the highest capital category - well capitalized.

Deposits continued to decline in the second quarter to 64.1 percent of assets, being generally replaced by borrowings, which rose to 24.4 percent of assets in the second quarter.

The number of thrift institutions under OTS jurisdiction declined by 14 from the first quarter to 1,181 in the second quarter, although industry assets increased to \$786.3 billion from \$780.2 billion. During the quarter, 25 thrifts left OTS regulation, while 11 new thrifts were chartered.

The number of problem thrifts - those with CAMELS ratings of 4 or 5 - increased to 18, or 1.5 percent of all OTS-regulated thrifts, compared to 14 institutions in the first quarter and 25 one year ago.

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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.