

Press Releases

May 27, 2008

OTS 08-020 - Continued Housing Downturn Drives First Quarter Thrift Industry Loss

Office of Thrift Supervision

FOR RELEASE at 1:00 P.M. EDT

For further information

Tuesday, May 27, 2008

Contact: William Ruberry

OTS 08-020

202/906-6677

Continued Housing Downturn Drives First Quarter Thrift Industry Loss

Washington, D.C. -- The Office of Thrift Supervision (OTS) reported today that the nation's thrift industry posted a \$617 million loss during the first quarter of 2008 after setting aside record provisions for loan losses expected from the continued downturn in the housing market.

The loss was an improvement from a net loss of \$8.75 billion in the fourth quarter of 2007, but down from net income of \$3.61 billion in the first quarter one year ago.

Thrifts have set aside a total of \$16.6 billion in loan loss provisions over the most recent three quarters. First quarter loan loss provisions were an all-time industry high of \$7.6 billion, up from \$5.5 billion in the previous quarter and \$3.5 billion in the third quarter 2007. One year ago, provisions were \$1.2 billion.

"I have been urging managers of OTS-regulated thrift institutions to be aggressive in setting aside provisions for expected loan losses," said OTS Director John Reich. "This forceful response to the housing market crisis continues to depress industry earnings, but it also strengthens institutions to withstand future challenges."

Capital is another source of strength for the thrift industry. The equity capital ratio remained solid at 9.05 percent in the first quarter, down from 9.26 percent in the previous quarter and from 10.70 percent in the first quarter one year ago.

However, pressures from the continued housing market distress were evident not only from losses in earnings and profitability in the first quarter, but also an increase in troubled assets.

Other highlights include:

- Profitability, as measured by return on average assets (ROA), was a negative 0.16 percent in the first quarter, an improvement from a negative 2.31 percent in the fourth quarter of 2007, but down from 0.97 percent in the comparable quarter a year

- ago. The median ROA increased to 0.43 percent in the first quarter from 0.39 percent in the previous quarter, but was down from 0.51 percent in the first quarter a year ago.
- Troubled assets (noncurrent loans and repossessed assets) were 2.06 percent of assets during the first quarter, up from 1.66 percent in the previous quarter and from 0.80 percent one year ago.
 - OTS supervised 831 thrifts with industry assets of \$1.52 trillion at the end of the first quarter. OTS also supervised 479 holding company enterprises with approximately \$8.4 trillion in U.S. domiciled consolidated assets.

More details, as well as charts and selected indicators, are available on the OTS website at www.ots.treas.gov

Thrift Industry Highlights - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-20a.pdf>

Thrift Industry Charts - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-20b.pdf>

Thrift Industry Selected Indicators - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-20c.pdf>

###

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.