

Press Releases

August 27, 2008

OTS 08 039 - Record Reserves for Weathering Housing Market Distress Drive Thrift Industry Loss in Second Quarter of 2008

FOR RELEASE:
Wednesday, Aug. 27, 2008

CONTACT: William Ruberry
(202) 906-6677

Washington, D.C. — The thrift industry posted a \$5.4 billion loss for the second quarter of 2008, as institutions set aside record reserves for loan losses during the continued housing market downturn, the Office of Thrift Supervision (OTS) reported today.

During the second quarter, thrifts set aside \$14.0 billion in loan loss provisions, the highest total on record. During the last four quarters, the industry has added more than \$30 billion to loan loss reserves, driving down earnings but providing a cushion against the impact of rising loan delinquencies and other problem assets. The net loss during the second quarter was the second largest on record after the \$8.8 billion loss in the fourth quarter of 2007. In the first quarter of 2008, the industry lost \$627 million.

Capital remained solid during the second quarter, with more than 98 percent of the industry exceeding the standard for well-capitalized.

“Solid capital and sizable reserves for potential loan losses show once again that thrift managers are responding appropriately to the challenges they face,” said OTS Director John Reich. “These two factors will serve the industry well in riding out the current crisis.”

Troubled assets (noncurrent loans and repossessed assets) rose to 2.68 percent of assets, up from 2.06 percent in the previous quarter and 0.95 percent a year ago.

Other highlights include:

- At the end of the second quarter, there were 17 problem thrifts (institutions with composite examination ratings of 4 or 5), an increase from 12 thrifts in the previous quarter and 10 thrifts one year ago.
- The OTS supervised 829 thrifts with assets of \$1.51 trillion at the end of the second quarter. In addition, OTS supervised 479 holding company enterprises with approximately \$8.4 trillion in U.S. domiciled consolidated assets.
- Profitability, as measured by return on average assets (ROA), was a negative 1.41 percent in the second quarter, compared with negative 0.17 percent in the first quarter. A year ago, the industry ROA was a positive 1.02 percent.

More details, as well as charts and selected indicators are attached:

Thrift Industry Highlights - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-39a.pdf>

Thrift Industry Charts - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-39b.pdf>

Thrift Industry Selected Indicators - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-39c.pdf>

U.S. Economic and Housing Conditions – <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-39d.pdf>