

Press Releases

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OTS 07-084 - Weakness in Housing and Credit Markets Reduces Thrift Earnings Capital and Reserves Remain Strong

Office of Thrift Supervision

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For further information

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Weakness in Housing and Credit Markets Reduces Thrift Earnings

Washington, D.C. -- Continued weakness in the housing and credit markets caused earnings in the thrift industry to decline by 84 percent during the third quarter of 2007, compared with the comparable quarter a year ago, the Office of Thrift Supervision (OTS) reported today.

"Despite the difficult environment, I am encouraged that the managers of OTS-regulated institutions are taking the appropriate steps to provide a cushion for the future," OTS Director John Reich said. "Strong capital and higher loan loss allowances will serve thrifts well if housing markets weaken further."

The Director also highlighted the fact that thrifts originated a significantly higher percentage of the nation's 1-4 family mortgages during the quarter, evidence that the thrift industry stands ready to serve the home mortgage needs of American families during challenging times.

Industry highlights include:

- Net income was \$704 million in the third quarter, down 84 percent from \$4.29 billion in the third quarter one year ago and down 82 percent from \$3.83 billion in the prior quarter. The earnings decline, focused primarily in thrifts engaged most heavily in originating mortgages for sale in the secondary markets, was due primarily to higher loan loss provisions and losses on sales of loans.
- Profitability, as measured by return on average assets (ROA), was 0.18 percent in the third quarter, down from 1.08 percent in the comparable quarter a year ago and from 1.02 percent in the previous quarter. If 10 of the thrifts most heavily engaged in originating mortgages for sale were excluded from third quarter results, ROA would be 0.84 percent.
- Equity capital at the end of the third quarter was 10.16 percent of assets, up from 9.23 percent one year ago, but down from a record 10.80 percent in the prior quarter.
- Loan loss provisions increased to 0.92 percent of average assets in the third quarter, an increase from 0.22 percent in the third quarter one year ago and from 0.38 percent in the prior quarter.

- Troubled assets (noncurrent loans and repossessed assets) were 1.19 percent of assets, up from 0.95 percent in the prior quarter and 0.64 percent a year ago.
- Thrifts originated about 30 percent of all 1-4 family loans nationwide during the quarter, up from 21.5 percent in the comparable quarter a year ago and from 25 percent in the prior quarter.
- Total mortgage originations, including multifamily and nonresidential mortgages, were \$185.7 billion in the quarter, up 8 percent from \$172.1 billion in the third quarter a year ago but down 5 percent from \$194.6 billion in the previous quarter.
- OTS supervised 831 thrifts at the end of the quarter with \$1.57 trillion in assets.
- OTS supervised 470 holding company enterprises with approximately \$8.5 trillion in U.S. domiciled consolidated assets. These enterprises owned 436 thrifts with total assets of \$1.31 trillion, or 83 percent of total thrift industry assets.

Thrift industry highlights, 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-2007-84a.pdf>

Thrift Industry Charts - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-84b.pdf>

Thrift Industry Selected Indicators - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-84c.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.
