

Press Releases

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OTS 97-05 - Thrift Industry Hits Milestone

Office of Thrift Supervision

NEWS

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THRIFT INDUSTRY HITS MILESTONE; NO 'SERIOUSLY TROUBLED' S&Ls

WASHINGTON, D.C., Jan. 15, 1997 -- For the first time since the Office of Thrift Supervision (OTS) was created in 1989, the agency reports that none of the thrift institutions it regulates is considered "seriously troubled."

In addition to the profitability, capital levels and other indicators, "this achievement is a testament to the solid financial recovery of the thrift industry," OTS Director Nicolas Retsinas said. "Even though other seriously troubled institutions may be identified in the future, the fact there was none at the end of 1996 is a milestone for the industry.

"Notwithstanding this achievement," Retsinas added, "we must continue our vigilance and identify any trouble spots early so we can take appropriate action."

Typically, the seriously troubled designation is given an institution based on a rating of 4 or 5 (the lowest ratings) on its latest safety and soundness examination and an assessment of the severity of its problems by the supervising OTS region.

At the end of November 1996, two institutions were listed as seriously troubled. One of these was subsequently acquired, and the other submitted an acceptable recapitalization plan. Both were removed from the list, and none was added in December.

The number of institutions in the seriously troubled classification has hovered between two and four over the past few months and totaled six last June. The peak number was 65 back in

mid-1993. OTS began using the seriously troubled and "other troubled" designations about that time to track institutions with financial problems. In December 1996, the other troubled category included 32 institutions, the same number as in June 1996. The peak for other troubled institutions (96 thrifts) was in mid-1993.

Capital levels of the industry have climbed steadily through the 1990s, another indicator of the strength of the recovery. Equity capital reached a record 8.08 percent in the first quarter of 1996, and stood at 7.82 percent at the end of September. The decline resulted primarily from the special insurance assessment in the third quarter.

"Given the soundness of the industry's financial condition, now is a good time for Congress to begin focusing on modernization of the financial services industry, including bank and thrift charter reform," Retsinas said.

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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.

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