

## Press Releases

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### OTS 00-76 - Q2 2000 - U.S. Thrift Industry Earns \$2 Billion in Second Quarter

#### Office of Thrift Supervision

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### U.S. Thrift Industry Earns \$2 Billion in Second Quarter

WASHINGTON, D.C., Sept. 12, 2000 - The nation's thrift industry earned \$2.0 billion in the second quarter of 2000, compared with the previous quarter's \$2.2 billion and \$2.1 billion a year ago, Director Ellen Seidman of the Office of Thrift Supervision (OTS) reported today.

"It's a strong second quarter even though earnings and profitability are down some from the first quarter," said Director Seidman. "Asset quality remains high, capital ratios are strong and stable, and upward pressure on interest rates has eased."

Director Seidman said that continuing competitive pressures among financial services providers, the thrift industry's increasing reliance on potentially higher-cost, non-deposit funding of loans and higher non-performing loan rates for commercial loans could impact the industry's performance going forward. "Thrift managers certainly have their work cut out for them," she said.

Return on average assets (ROA) declined to 0.93 percent from 1.04 percent in the first quarter and 1.01 percent in the second quarter of 1999. The fall off stemmed from several factors, including a slight drop in net interest margin, higher loss provisions attributable mostly to subprime lending by a small number institutions, higher noninterest expense and increased taxes. Return on average equity (ROE) was 12.0 percent in the second quarter, down from 13.5 percent in the prior quarter and 12.4 percent a year ago.

These factors were offset somewhat by an increase in fee income, which rose to 0.78 percent of assets from 0.76 percent in the previous quarter, and an increase in non-interest income from .29 percent of assets to .38 percent of assets.

The thrift industry continued to play a major role in funding homeownership. Originations of 1-4 family mortgages were \$52.9 billion, up about 33 percent from the first quarter. Thrifts originated 19.2 percent of all single-family mortgages in the second quarter compared to 17.4 percent one year ago, and made a higher percentage of adjustable rate mortgages (ARMs) than other lenders. An estimated 72 percent of second quarter thrift originations were ARMs compared to 30 percent of originations for all lenders. Refinancings by the same lender

accounted for 8.7 percent of second quarter thrift originations, down from 10.5 percent in the first quarter and 15.7 percent for the 1999 second quarter.

Deposits of \$508.8 billion were up from \$505.7 billion in the first quarter, but down from \$549.6 billion in 1995, and accounted for only 57 percent of total assets compared to 71 percent five years ago. To fund loans, thrifts are using more federal home loan bank advances, which rose \$11.1 billion from the first quarter to \$204.2 billion, or 23 percent of assets.

The industry's ratio of equity capital to total assets remained virtually unchanged at 7.7 percent. At the end of June, 98 percent of the thrift industry met well-capitalized standards. Two small thrifts were less than adequately capitalized, one of which has since been acquired by another thrift. Median interest rate sensitivity declined for the first time in seven quarters to 234 basis points, indicative of a more stable interest rate environment.

The number of problem thrifts--those with examination ratings of 4 or 5--remained unchanged at 14, or 1.3 percent of the industry. Assets of problem thrifts increased to \$7.6 billion from \$5.3 billion in the first quarter. However, the number of 3-rated institutions--those with some weakness or supervisory concerns--increased to 86 from 80 in the first quarter and 69 one year ago. The 86 represent 7.9 percent of all thrifts and hold assets totaling \$34.2 billion.

OTS regulated 1,091 institutions at the end of the second quarter, a net decline of six. During the second quarter, 18 thrifts left OTS supervision, primarily through mergers and acquisitions, and 12 institutions--including 10 start-ups--came under OTS regulation for the first time. While the number of institutions under OTS supervision declined slightly, total industry assets increased at an annualized rate of 9.1 percent to \$888.5 billion at the end of the second quarter, the highest level since 1991.

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The Office of Thrift Supervision (OTS), an office of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's 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 visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).