

Press Releases

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OTS 01-82 - Q3 2001 Thrift Industry 3rd Quarter Earnings Set Record

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Thrift Industry 3rd Quarter Earnings Set Record

WASHINGTON - Thrift industry earnings rose by \$100 million in the third quarter to a record \$2.6 billion, the Office of Thrift Supervision reported today. Earnings for the year through the quarter total \$7.3 billion and are on pace to break the record earnings of \$8.2 billion set in 1999. "This has been the fourth consecutive quarter of earnings growth," said Scott Albinson, OTS's managing director for supervision. "Low interest rates and the strong housing market have been the driving force of the thrift industry over the last year."

At the same time, credit quality in the thrift industry, reflecting general economic conditions, weakened somewhat in the third quarter. "While the overall credit quality of the industry is still very good," Mr. Albinson said, "delinquent loans are on the rise." During the quarter, noncurrent loans rose from 0.54 percent to 0.58 percent of total assets and past due loans rose from 0.69 percent to 0.79 percent of assets, but both are still below the percentages seen before 1998.

Thrift industry one-to-four-family mortgage originations reached \$104 billion for the quarter and \$288 billion for the first three quarters, already ahead of the annual record of \$276 billion set in 1998. Similarly, one-to-four-family mortgage sales were at a record \$113 billion for the quarter. At \$284 billion through three quarters, mortgage sales have also surpassed the annual record of \$221 billion set in 1998.

Altogether, one-to-four-family mortgage loans totaled \$465 billion in the third quarter and comprised nearly 48 percent of the total thrift industry portfolio. Other types of thrift industry loans together, including consumer, commercial and construction loans, totaled 22 percent of thrift assets.

In the third quarter, industry assets grew to \$974 billion, up almost four percent from the preceding quarter.

Mr. Albinson said that he was pleased that the loan loss provisions at thrifts have been rising somewhat faster than net charge-offs. "These reserves should serve our thrifts well as we move into a more uncertain economic climate," he said.

Other highlights from the report include:

- Profitability, as measured by return on average assets, rose to 1.08 percent, compared with 0.82 percent in the third quarter of 2000 and 1.05 percent in the previous quarter.
- The number of problem thrifts declined from 17 to 16 during the quarter and the assets of problem thrifts, those with composite CAMELS ratings of four or five, fell from \$6 billion to \$4 billion, or 0.4 percent of total assets.
- The number of thrifts with a composite examination rating of three continued to fall in the third quarter, to 73 from 83 in the previous quarter. Of those, 63 -- or 86 percent -- were well capitalized. A strong capital position provides an important cushion for these thrifts to work through their problems.
- Interest rate risk, a key for the health of the thrift industry, improved during the quarter, primarily as a result of the decline in interest rates during the period. Based on preliminary figures, the percentage of thrifts with lower risk rose from 71 to 75 percent and those with higher risk declined from 7 to 6.2 percent.

A copy of the third quarter 2001 Thrift Industry Data Report is available on the OTS web page, <http://www.ots.treas.gov>.

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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'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.