SAIF ASSESSMENT CAUSES 3rd QUARTER LOSS; THRIFTS STILL PROFITABLE FOR NINE MONTHS

WASHINGTON, D.C., Dec. 4, 1996 -- The thrift industry absorbed the large, one-time special deposit insurance premium in September resulting in a net loss of $505 million for the third quarter, but maintained a nine-month 1996 profit of $3.2 billion, the Office of Thrift Supervision (OTS) reported today. The industry is expected to return to its stable profitability in the fourth quarter.

The special assessment to fully capitalize the Savings Association Insurance Fund (SAIF) cost OTS-regulated thrifts a pretax $3.2 billion, or an estimated $2.1 billion expense after the assessment is deducted from income taxes. Without the expense, the thrift industry would have earned an estimated $1.6 billion, compared with the record earnings of $1.9 billion last quarter, $1.8 billion in the first quarter and $1.6 billion for the third quarter a year ago, OTS said.

"I believe it is a clear indication of the underlying strength of the thrift industry that it was able to absorb the one-time assessment in a single quarter," said OTS Director Nicolas Retsinas.

"The important fact is that the one-time charge is now behind us, and with the SAIF fully capitalized, the insurance premium for thrifts is more in line with what banks pay," he added.

The assessment resulted in return on average assets of negative 26 basis points. Without the special assessment, the ROA would have been 82 basis points. ROA was 101 basis points in the second quarter and 82 basis points in the third quarter one year ago.

Core income, which does not include one time transactions such as the special assessment, continued to strengthen in 1996, rising to 85 basis points in the third quarter from 83 basis
points in the second quarter of 1996. Core income was 18 percent higher than the 72 basis points in the third quarter 1995.

The special assessment caused equity capital to fall from 8.05 percent in the second quarter to 7.82 percent in the third quarter, virtually the same level as in the third quarter of 1995. The industry had built up capital during the past year largely in anticipation of the special premium assessment.

Capital remains at high levels. The percentage of thrifts that met or exceeded well-capitalized standards was 95 percent, down slightly from 97 percent in the prior three quarters, again as a result of the special assessment.

The number of OTS-regulated thrifts declined to 1,378 in the third quarter from 1,397 in the second quarter. Along with the continued consolidation of institutions, there were 17 new savings institutions created in the first nine months of 1996 and 23 in all of 1995.

Aggregate industry assets in the third quarter rose to $778 billion from $768 billion in the prior quarter.

The percentage of thrift assets funded by deposits fell from 68.1 percent in the second quarter to 67.3 percent in the third quarter, a record low. Deposit erosion resulting from the higher cost of deposit insurance thrifts paid compared to banks contributed to the deposit decline since the legislation capitalizing the SAIF and eliminating the premium differential was not enacted until September 30. The decline in deposits was offset primarily by increases in Federal Home Loan Bank advances, which rose to 12.7 percent of assets in the third quarter from 12.1 percent in the second quarter.

The number of problem thrifts -- those with CAMEL ratings of 4 or 5 -- fell to 31 in the third quarter from 33 in the second quarter.

Troubled assets were $9.3 billion during the third quarter, unchanged from the second quarter. However, the ratio of troubled assets to total assets fell slightly to 1.19 percent from 1.21 percent in the prior quarter. Troubled assets are loans 90 days or more past due plus repossessed collateral.

Repossessed assets fell to 0.32 percent of total assets during the third quarter from 0.35 the previous quarter while the ratio of noncurrent loans (those 90 days or more past due plus non-accruing loans) to total assets rose slightly to 0.87 percent, still close to the six-year low of 0.84 percent in September 1995.


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. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).