

## Press Releases

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### OTS 01-16 - Q4 2000 - OTS Reports Near Record Thrift Earnings in 2000; Industry Mortgage Originations Top \$200 Billion

#### Office of Thrift Supervision

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For further information

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Contact: Sam Eskenazi

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202/906-6677

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### OTS Reports Near Record Thrift Earnings in 2000; Industry Mortgage Originations Top \$200 Billion

WASHINGTON - The nation's thrift industry recorded net income of \$8 billion in 2000, down only \$200 million from the record set in 1999, the Office of Thrift Supervision (OTS) reported today. In its fourth quarter Thrift Industry Financial Condition Report, the OTS said that earnings were \$1.91 billion during the fourth quarter, up from \$1.84 billion in the third quarter, a 3.8 percent hike.

"This strong showing during a challenging economic environment bodes well for the future," OTS Director Ellen Seidman said. "In the declining interest rate environment that we are seeing, the industry is well poised to take advantage of the next mortgage refinance boom. That should translate into higher loan growth and fee income. Lower interest rates also reduce the industry's exposure to interest rate risk," she said.

She warned, however, that while credit quality in the thrift industry remained high, concerns about credit quality remain at the forefront. She reiterated the need for thrift management to maintain strong internal controls and to properly manage the risks embedded in their loan portfolios. She attributed the high credit quality to the thrift industry's concentration in residential lending and its limited exposure to commercial lending and nonmortgage consumer lending.

The return on average assets (ROA), a key indicator for the industry, was 0.84 percent in the fourth quarter, up slightly from 0.82 percent in the third quarter. ROA for the year was 0.90 percent, down from 0.98 in 1999.

While the thrift industry is more sensitive to interest rate fluctuations than other sectors of the financial industry, net interest margins, which had been under pressure for the first nine months of 2000, stabilized in the fourth quarter.

Last year was the first time in 10 years that the thrift industry operated for an extended period under an inverted yield curve where one-year Treasury yields exceeded ten-year yields. While that economic environment places greater stress on the industry, the figures released

today indicate that the industry now is in sufficiently good shape to handle that extra pressure.

Other thrift industry highlights for 2000 and the fourth quarter include:

- The number of thrift institutions regulated by OTS stood at 1,068 at the end of 2000, a net decline of 35 for the year and 14 for the fourth quarter. Most of the decline came from the ongoing industry trend of mergers and acquisitions.
- Industry assets grew to \$928.6 billion at the end of 2000, up 7.5 percent over the year and 2.2 percent from the third quarter.
- The number of problem thrifts -- those with the two lowest examination rating scores, 4's and 5's -- increased by two during the quarter to 15, or 1.4 percent of the industry. Assets of these problem thrifts totaled \$7 billion, or 0.8 percent of total thrift assets, the same percentage as in the third quarter.
- The number of 3-rated thrifts increased by three during the quarter to 98, or 9.2 percent of the industry. Assets of 3-rated thrifts totaled \$30 billion, down \$5 billion from the previous quarter and only 3.2 percent of total thrift assets. Of the 98 3-rated thrifts, 89 were well capitalized, thus generally allowing more time for them to work through their problems.
- Troubled assets, which include noncurrent loans and repossessed assets, stood at 0.6 percent of total assets, up from the record low of 0.58 percent in the third quarter.
- Noncurrent consumer loans - loans past due 90 days or more - were 0.81 percent of all consumer loans, up 0.04 percent for the quarter. Noncurrent commercial loans were at 1.52 percent, up 0.18 percent for the quarter. Together, consumer and commercial loans constitute 9.6 percent of thrift assets.
- Thrift loan portfolios grew 10.6 percent during 2000. The largest component of those portfolios -- 1-4 family mortgage loans, which constitute 48.3 percent of total thrift assets - grew by 9.2 percent during 2000.
- For the year, 1-4 family mortgage originations totaled \$201 billion, the third best volume ever, though down from \$236 billion a year earlier. As the refinancing boom began to get underway during the fourth quarter, originations for that period crept up to \$55 billion, the highest total in five quarters. The industry's share of the origination market reached 21.1 percent in 2000.
- Equity capital in the thrift industry was 8.01 percent of total assets, up from 7.87 the previous quarter. The increase in capital resulted from new capital brought into the industry, growth in retained earnings, and an unrealized gain (following previous losses) on securities available for sale.
- At year-end, 97 percent of the industry met well-capitalized standards, and well-capitalized thrifts held 99 percent of industry assets.

A copy of the fourth quarter Thrift Industry Financial Condition Report is available on the OTS web page, [www.ots.treas.gov](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](http://www.ots.treas.gov).