Thrift Industry Earnings Set Quarterly Record

WASHINGTON - Thrift industry earnings rose sharply during the second quarter of 2001 to a record $2.5 billion, the Office of Thrift Supervision (OTS) reported today. OTS Director Ellen Seidman attributed the strong earnings to continued strength in the housing market coupled with low mortgage interest rates.

"While the failure of the $1.8 billion Superior Bank, FSB, in Illinois, at the end of July will affect the Savings Association Insurance Fund, it had little impact on the overall results for this $965 billion industry," Ms. Seidman reported. Superior's assets amounted to less than a quarter of one percent of all thrift assets. There were 1,049 thrifts reporting at the end of the second quarter.

Ms. Seidman reported that the slowing economy and rising unemployment contributed to a slight increase in noncurrent asset levels during the quarter, but that defaults and other measures of weakness are still at relatively low levels, and the thrift industry as a whole continues to maintain good asset quality. The number of problem thrifts -- those with the two lowest examination ratings, 4 and 5 -- increased by three, to 17. Those thrifts held 0.6 percent of all thrift assets.

In its Second Quarter 2001 Thrift Industry data report, OTS said that thrift profitability remained strong, as the industry earned a return on average assets of 1.05 percent in the second quarter -- the third best ever reported -- up from 0.92 percent in the prior quarter, and a return on average equity of 12.95 percent, up from 11.51 percent in the first quarter.

"The high profitability indicators were driven by growth in net interest margin and noninterest income," said Ms. Seidman. Thrifts also increased fee income during the quarter.

Other highlights from the report include:

- The industry reported assets of $964.7 billion, up from $952.9 billion in the first quarter. This is the highest level of thrift industry assets since March 1991, when they totaled $980.5 billion.
Mortgage originations reached record levels in the second quarter, up 48 percent to $109.6 billion, following a 34 percent increase in the first quarter. The previous record of $81.5 billion was set during the fourth quarter of 1998. Thrifts' share of the total 1-4 family mortgage origination market (as estimated by the Mortgage Bankers Association of America) rose to 22.9 percent, from 21.2 percent in the first quarter.

Troubled assets, which include noncurrent loans and repossessed assets, increased to 0.65 percent of total assets from 0.62 percent at the end of the first quarter. Loan loss provisions were stable at 0.27 percent of average assets, and net charge-offs increased one basis point from the prior quarter, to 0.22 percent.

The number of thrifts with an examination rating of 3 continued to fall in the second quarter, to 83 from 90 in the first quarter. Of those, 74 -- or 89 percent -- were well capitalized. A strong capital position provides an important cushion for these thrifts to work through their problems.

The number of thrift institutions regulated by OTS was 1,049 at the end of the second quarter, down 11 from the previous quarter. During the period, 15 thrifts left OTS supervision, primarily due to acquisitions by banks or other thrifts. There were four new entrants in the quarter, three de novos and one conversion from a state-chartered bank.


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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.