

## Press Releases

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OTS 98-45 - Nation's Thrift Industry Earns \$1.9 Billion in First Quarter 1998

### Office of Thrift Supervision

# NEWS

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For further information

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### **Nation's Thrift Industry Earns \$1.9 Billion in First Quarter 1998**

WASHINGTON, D.C., June 3, 1998 - The nation's thrift industry earned \$1.87 billion in the first quarter of 1998, the highest first quarter earnings in the industry's history and the second best of any recorded quarter, Director Ellen Seidman of the Office of Thrift Supervision (OTS) reported today. At the same time, profitability and capital levels were up, while troubled assets and delinquent loans were down, reflecting continued asset quality improvements. The surge in thrift mortgage market activities during the quarter, especially the dramatic increase in new single-family mortgage loans, buttressed this strong financial performance.

First quarter earnings increased from \$1.66 billion in the fourth quarter of 1997 and from \$1.73 billion in the first quarter last year. The record for a three-month period is the second quarter of 1996 with earnings of \$1.93 billion.

"The thrift industry achieved a solid performance in the first quarter due largely to a strong demand for home loans stimulated by a robust economy and low, stable interest rates," said Ms. Seidman. "The industry's underlying strength, especially its high capital levels, puts it in a good position to respond effectively to future changes in the business climate," she added.

Capital levels reached another record with the equity capital to assets ratio rising to 8.40 percent at the end of the first quarter compared with last quarter's previous record of 8.32 percent and 7.94 percent one year ago. All but one of the 1,195 OTS-supervised thrifts met or exceeded minimum capital requirements and 1,116, or 98 percent, were in the highest capital category - well capitalized - at the end of March.

Return on average assets (ROA) was 97 basis points in the first quarter, up from 87 basis points in the prior quarter and 91 basis points one year ago. Total assets of the thrift industry increased to \$780.2 billion in the first quarter from \$96.6 billion in the fourth quarter.

Reflecting a robust housing market and relatively low long-term mortgage rates, single-family mortgage originations of \$59.1 billion in the first quarter were 33 percent above the \$44.6 billion in the fourth quarter and more than double the \$28.0 billion one year ago. Total mortgage originations, including multi-family and non-residential mortgages, were \$67.7 billion in the first quarter, up from \$53.7 billion in the previous quarter.

The thrift industry's flexibility to perform as both portfolio lenders (keeping the mortgages they make) and mortgage bankers (selling mortgages to investors in the secondary market) was also demonstrated in the first quarter with a sharp rise in mortgage banking activity. Sales of single-family mortgages on the secondary market rose to \$43.0 billion in the first quarter from \$40.7 billion in the prior quarter and \$19.2 billion one year ago.

"We have seen thrifts respond to customer preferences in the first three months of the year by originating more 30-year, fixed-rate loans, which they tend to sell in the secondary market. But while thrifts increased their mortgage banking activity, they are still primarily portfolio lenders," noted Ms. Seidman.

Net interest income declined moderately to 2 percent, mostly as a result of one-time events. This was more than offset by the increase in gains on the sale of assets held for sale, reflecting the surge in mortgage market activity, and a reduction in provisions for losses, as troubled assets continued to decline, to \$7.3 billion, or 0.94 percent of assets.

The OTS-supervised thrift industry had a net loss of 20 institutions through mergers and acquisitions in the first quarter. Twenty six institutions left OTS jurisdiction during the quarter, while six institutions came under OTS supervision for the first time.

The number of problem thrifts - those with CAMELS ratings of 4 or 5 - fell to 14 in the first quarter, down from 18 last quarter and 30 one year ago, the lowest in the post-FIRREA era.

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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' 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).