

Press Releases

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OTS 08-056 - Persistent Housing Market Weakness Causes Thrift Industry Loss in Third Quarter of 2008

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Washington, D.C. — Persistent weakness in the U.S. housing market continued to take a toll on the U.S. thrift industry in the third quarter of 2008, as the industry again set aside large reserves for loan losses, resulting in a \$4 billion loss, the Office of Thrift Supervision (OTS) reported today.

Thrift institutions set aside \$7.9 billion in loan loss provisions, prompted by a continuing downturn in the housing market that drove a further increase in troubled assets, mainly single family mortgages. In the most recent four quarters, the industry has added \$23.4 billion to loan loss reserves.

"The housing sector is at the eye of the nation's economic storm and the thrift industry, which focuses on home mortgages and other consumer retail lending, is feeling a strong impact," OTS Director John Reich said. "This storm will pass, but we've already seen some damaging effects."

Industry assets declined after the failure of three companies, including the country's largest thrift, Washington Mutual.

Other highlights include:

- At the end of the third quarter, there were 23 problem thrifts (institutions with composite examination ratings of 4 or 5), an increase from 17 thrifts in the previous quarter and 12 thrifts one year ago.
- At the end of the third quarter, the OTS supervised 818 thrifts with assets of \$1.18 trillion, as well as 469 holding company enterprises with approximately \$8.1 trillion in U.S. domiciled consolidated assets.
- Profitability, as measured by return on average assets (ROA), was a negative 1.35 percent in the third quarter, compared with negative 0.57 in the second quarter. One year ago, the industry ROA was a positive 0.20 percent.

More details, as well as charts and selected indicators, are available on the OTS website at <http://www.ots.treas.gov>.