

## Press Releases

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### OTS 05-27 - Thrift Industry Continues Strong Performance In Second Quarter

#### Office of Thrift Supervision

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For further information

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OTS 05-27

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### Thrift Industry Continues Strong Performance In Second Quarter

WASHINGTON, DC -- The nation's thrift industry again posted record levels of earnings and equity capital in the second quarter of 2005, even as the interest rate yield curve continued to flatten, according to financial results released by the Office of Thrift Supervision (OTS) today. Profitability, loan growth and credit quality for the industry also continued to be strong.

Net income for thrifts reached a record \$4.03 billion, up one percent from the prior quarter and 20 percent from the second quarter 2004. This marked the third consecutive record quarter for the thrift industry. Profitability, as measured by return on average assets (ROA), declined to 1.18 percent from 1.22 percent in the prior quarter, mostly as a result of lower net interest margin and mortgage loan servicing fee income, coupled with higher loan loss provisions and noninterest expense. The industry's capital position remains robust at 9.34 percent of assets -- well in excess of minimum requirements -- with over 99 percent of the industry exceeding well-capitalized standards.

Asset quality remained solid, as noncurrent loan rates (loans over 89 days past due or in nonaccrual status) improved for all loan types, falling to a record low of 0.37 percent of assets. In contrast, loans past due by 30-89 days increased by one basis point from the prior quarter to 0.54 percent of assets. This was attributable to slightly higher past due loans for 1-4 family mortgages, multifamily mortgages, construction and land loans, and nonresidential mortgages.

While lower mortgage interest rates over the quarter spurred the volume of mortgage originations to \$191.8 billion, from \$161.0 billion in the prior quarter, mortgage-refinancing volume declined from 37 percent of all originations in both the prior and year-ago quarters to 30 percent in the second quarter. Nationwide, thrifts accounted for approximately 23 percent of total 1-4 family originations in the second quarter. An estimated 42 percent of thrift originations were adjustable rate mortgages (ARMs), down from 50 percent one year ago. In contrast, the ARM share for all lenders was 33 percent in the second quarter, and 36 percent one year ago.

OTS examiners and analysts continue to closely monitor thrift loan performance and asset quality, focusing particularly on recently originated -- or "unseasoned" -- loans, as well as increasingly popular alternative loan products, such as interest-only mortgages and home equity lines of credit, since these loans have not been stressed through different economic cycles. OTS has also issued revised guidance highlighting the need for enhanced loan underwriting vigilance during these times of increased real estate valuations and innovative loan products.

The number of thrifts stood at 870 as of June 30, with assets of \$1.39 trillion, an increase of 17 percent for the year. OTS supervised 483 U.S.-domiciled holding company enterprises at quarter-end, with consolidated assets of approximately \$7.0 trillion.

Full results for the thrift industry in the second quarter 2005 are available on the OTS website at [www.ots.treas.gov](http://www.ots.treas.gov).

Thrift Industry Highlights - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2005-27a.pdf>

Thrift Industry Charts - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2005-27b.pdf>

Thrift Industry Selected Indicators - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2005-27c.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).