

Press Releases

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OTS 08-005 - Continued Housing Market Distress Causes Fourth Quarter Loss for Thrift Industry

Office of Thrift Supervision

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Continued Housing Market Distress Causes Fourth Quarter Loss for Thrift Industry

Washington, D.C. -- The thrift industry posted a record loss of \$5.24 billion for the fourth quarter of 2007, as institutions responded to a downturn in the housing market by taking write-downs, recording restructuring costs and setting aside record levels of provisions for anticipated loan losses, the Office of Thrift Supervision (OTS) reported today.

"These are difficult economic times and I expect our thrifts to continue to bolster reserves appropriately for the loan losses anticipated in 2008," said OTS Director John Reich.

"The provisions in the third and fourth quarters of 2007 will position our thrifts for these events," he said. "The bottom line, as performance this quarter shows, is that the economic distress in the mortgage market is an earnings issue and not a capital issue for our industry."

About \$4 billion of the overall loss resulted from a write-down by a few thrifts in goodwill, necessary to recognize the reduced value of acquired assets. Another \$2.2 billion loss was due to a restructuring charge by a single institution. Income offset those losses in part.

Other highlights include:

- During the fourth quarter of 2007, thrifts set aside \$5.1 billion in loan loss provisions, or 1.35 percent of average assets. That's up from 0.92 percent (\$3.5 billion) in the previous quarter and 0.45 percent (\$1.6 billion) in the fourth quarter one year ago. For the year, loan loss provisions totaled \$11.3 billion, or 0.75 percent of average assets, compared with \$3.8 billion in 2006, or 0.25 percent of average assets.
- Equity capital at the end of 2007 was 9.46 percent of assets, down from 10.72 percent one year ago and 10.16 percent in the third quarter of 2007. At the end of the year, 99 percent of the industry exceeded well-capitalized standards.
- Net income was \$2.87 billion for the year, down from \$15.85 billion in 2006. In the fourth quarter of 2007, the net loss of \$5.24 billion was down from net income of \$657 million in the third quarter and net income of \$3.14 billion in the fourth quarter a year ago.

- Profitability, as measured by return on average assets (ROA), was 0.19 percent for the year, down from 1.06 percent in 2006. In the fourth quarter of 2007, ROA was a negative 1.38 percent, down from 0.17 percent in the third quarter and 0.89 percent in the fourth quarter a year ago.
- Troubled assets (noncurrent loans and repossessed assets) were 1.65 percent of assets, up from 1.19 percent in the third quarter and 0.70 percent a year ago.
- OTS supervised 826 thrifts at the end of the fourth quarter. Industry assets were \$1.51 trillion, an increase of seven percent for the year. OTS also supervised 475 holding company enterprises with approximately \$8.5 trillion in U.S. domiciled consolidated assets.
- More details, as well as charts and selected indicators, are available on the OTS website at www.ots.treas.gov.

- Thrift Industry Highlights - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-5a.pdf>

- Thrift Industry Charts - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-5b.pdf>

- Thrift Industry Selected Indicators - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-5c.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.