Big banks smiling over 3Q revenue

But slow mortgage lending still an issue

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USA TODAY

The nation's biggest banks are bringing more money in, but earnings aren't soaring.

Citigroup beat analysts' earnings expectations, JPMorgan Chase missed them, and Wells Fargo matched them, but all showed solid gains in revenue. "That's a huge positive for these banks," says Erik Oja, banking analyst at S&P Capital IQ.

Revenues were the bright spot for the three big banks that reported earnings Tuesday:

- At JPMorgan Chase, the nation's biggest bank by assets, third-quarter revenue rose 5% to $24.2 billion from $23.1 billion in the third quarter of 2013.
- Citigroup, the nation's third-largest bank, saw revenues rise 9.4% to $19.6 billion from $17.9 billion.
- Wells Fargo, the fourth-largest bank, said revenue rose 4% to $21.2 billion.

For JPMorgan and Citigroup, volatile markets helped drive earnings higher. Big swings in prices typically mean their clients trade more, which generates more income for the banks, no matter which way the market goes.

But the banks still faced headwinds. JPMorgan Chase's legal problems, while nowhere near as massive as last year's $20 billion, still dogged the company. The bank put aside $1.1 billion for legal costs in the third quarter, partly to deal with alleged currency exchange fraud charges. Those expenses lowered profits by 26 cents a share.

Mortgage lending was also slow, particularly at Wells Fargo, where mortgage loan growth was essentially flat. "Banks are very cautious with mortgage loans — it's hard to get a loan and it takes a long time," Oja says.

And, as they have learned from hard experience during the housing collapse, it can be a long, difficult process to work out a problem mortgage loan.

For that reason, many banks are turning to loans that present less difficulty and potentially higher yields: Credit cards, auto loans and jumbo mortgages, which don't have to conform to standards set by mortgage packagers Freddie Mac and Fannie Mae. "Conforming loans aren't where the profits are now," says Oja.

Wells Fargo for instance, showed strong commercial loan growth — 12% — as well as an 11% gain in auto loans. And Citigroup said that bad consumer loans declined 13%, while also announcing its exit from consumer lending in 11 countries, including Japan.

Bank of America, the nation's second-largest bank by assets, reports earnings today.