

Banks step up efforts to collect on taxi medallion loans



PAT GREENHOUSE/GLOBE STAFF

Celestin Couyoute is one of many Boston-area taxi medallion owners who are feeling the pressure of declining income and high loan repayment costs.

By Deirdre Fernandes | GLOBE STAFF MAY 24, 2016

Celestin Couyoute bought a Boston taxi medallion more than 15 years ago, eager for independence and a chance to be his own boss.

But these days the business is struggling, forcing him to pull 18-hour shifts to

Couyoute has asked Progressive Credit Union to modify his \$230,000 loan and lower his monthly expenses, but the New York-based lender wants a \$5,000 down payment or his Dorchester home as collateral.

“It’s hard,” said the 45-year-old Haitian immigrant. “But it’s harder when you look and know they’re going to take your house.”

The financial reckoning of the ride-hailing revolution has arrived for smaller medallion owners in Boston and Cambridge, many of them immigrants who invested in the taxi business as a step up the economic ladder. As customers switch in droves to services such as Uber and Lyft, hack owners are increasingly defaulting on the loans they took out to buy one or more medallions. And lenders, such as Radius Bank in the Seaport and Worcester’s Commerce Bank & Trust, are getting more aggressive to make sure they don’t get stuck with a taxi fleet of bad loans.



Uber, Lyft face proposed ban

Officials at the facility worry that the five-year ban would make the city appear unattractive to visitors.

Cambridge taxi drivers start strike

Some banks have taken local medallion owners to court, seeking liens on their homes and other businesses as millions in loans have soured in the past two years. Other banks are trying to sell medallions in foreclosure auctions, although demand has been low. And several banks are exploring the sale of their medallion portfolios to private investors as they try to move the loans off their books. But nervous buyers, concerned that their value could plummet even further in six months, aren't willing to pay what banks are asking, debt experts said.

Regulators aren't certain how many Boston-area taxi medallion loans have defaulted or are on the brink, though they acknowledge it is getting harder for small operators. At a recent taxi driver association gathering, nearly two dozen medallion owners indicated that they were either behind or having trouble making monthly payments.

“The medallion had for a long time been a golden asset class. The cash flows continued to go higher and higher,” said Alex Twerdahl, a bank analyst with Sandler O’Neill & Partners LP. “It was kind of like the housing market: As long as the housing prices are going up the banks were OK.”

At the peak in 2014, taxi medallions were selling in Boston for more than \$700,000. But in recent months the price has plummeted to half that — about \$350,000 — according to the Hackney Carriage Unit, a division of the Boston Police Department that regulates the industry.



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Banks are more frequently taking taxi medallion owners to court when their loans go into default.

Compared to three years ago, when 1,825 medallioned cabs ruled the roads in Boston, ride-hailing services now have an estimated 22,000 drivers available with the tap of an app, according to Lieutenant Tom Lema of the city’s hackney unit.

“Whether this is really the bottom, I don’t know,” said Lema.

About half the city’s taxi medallions are owned by large fleet operators, while the rest are owned by smaller owners who may have fewer than 10 cabs each.

Some local medallion owners and taxi industry experts fear that the value of medallions could decline further. Much as homeowners fell underwater on their mortgages during the financial crisis — owing more to the bank than their home was worth — taxi medallion owners say they are facing a similar situation.

Many medallion owners refinanced their loans over the years to pull out equity to help them buy new taxis, additional medallions, or in some cases their homes. As a result, the size of their loan has grown over the years.

But unlike the housing crash, which hit most banks, there are only a handful of lenders heavily involved in the medallion industry. Some have already buckled under the falling values of the medallions. Last year, financial regulators seized New York's Montauk Credit Union, which was heavily involved in taxi medallion lending, and forced it to merge with another credit union. New York-based Signature Bank reported in the first quarter of the year that its nonperforming loans more than tripled over the same period in 2015, to \$105 million, primarily due to bad taxi medallion loans.

Uber and Lyft's incursion into New York has caused medallion prices there to plummet, too. Medallions in New York used to routinely sell for about \$1 million in 2014, but prices this year have hovered around \$600,000, according to the city's taxi commission. And companies owned by one of New York's largest taxi magnates filed for bankruptcy last year.

Here, banks have modified loans for some medallion owners, accepting interest-only payments, reducing the interest rates, or extending the loan period, said Donna Blythe-Shaw, a Boston Taxi Drivers Association representative.

But other drivers are faced with accepting onerous terms, such as providing more collateral, when it's far from certain whether their earnings will ever bounce back, Blythe-Shaw said.

Some banks are running out of patience. Boston-based Radius Bank and Medallion Financial Corp., a New York-bank that is among the largest taxi medallion lenders in the country, have filed complaints against local

medallion owners in recent weeks in Suffolk Superior Court for defaulting on loans.

Both Radius and Medallion Financial declined to comment.

In court documents Radius said it was seeking judgments against some of its defaulted borrowers because, “the medallions have eroded significantly in value. . . . recent attempts by other medallion holders to auction medallions have not yielded any buyers.”

Industry experts said borrowers and lenders aren’t sure right now what a medallion is even worth.

Twerdahl, a bank analyst with Sandler O’Neill, said the industry will eventually settle down as regulators determine the rules for ride-hailing services, such as whether they will need commercial insurance or have to fingerprint their drivers.

“Right now, it’s hard to tell how it’s all going to shake out,” he said.

And some medallion owners can’t wait.

Antoine El-Khoury of Acton owes Radius nearly \$700,000 on his two Cambridge medallions. El-Khoury said he can’t find drivers to lease the medallions and he recently lost his own job, making it even more difficult to make the monthly payments on his loans. He filed for bankruptcy protection this month, according to court documents.

“The taxi owner and the industry is left out on its own,” El-Khoury said.

“Everything we had was in the medallion.”



Number of ride-hailing drivers

Number of Boston medallions

Value of Boston taxi medallion

2014

2014

2014

2,000

1,825

\$700,000

2016

2016

2016

22,000

1,825

\$350,000

Driven away

The number of ride-hailing drivers in Boston has exploded in the last three years, driving down the value of medallions but not the loan payments for taxi drivers like Celestin Couyoute.

SOURCE: Hackney Carriage Unit

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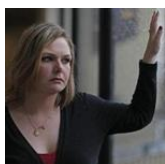
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