

Melrose Credit Union Undercapitalized

By [Peter Strozniak](#) August 14, 2016 • [Reprints](#)



Posting a net loss of \$57 million at the end of the second quarter of 2016, primarily because of its underperforming taxi medallion loan portfolio, the \$1.9 billion [Melrose Credit Union](#) is undercapitalized, according to its June 2016 call report.

Melrose posted a net worth of 7.49% at the end of the second quarter compared to its net worth of 18% at the end of the second quarter of 2015.

However, because Melrose is considered to be a complex cooperative by the NCUA, its risk-based net worth requirement was 9.89%, which classified the Briarwood, N.Y.-based credit union as undercapitalized, according to its call report.

The undercapitalization places Melrose into prompt corrective action and requires it to submit a net worth restoration plan to the NCUA within 45 days as of July 31, according to the agency's regulations.

Melrose did not return a phone call and email from *CU Times* Friday seeking comment.

The growing popularity of [app-based ride-sharing services, such as Uber and Lyft](#), have taken a significant toll on Melrose's bottom line and other cooperatives. Melrose manages more than 3,000 taxi medallion loans totaling approximately \$1.5 billion.

According to its June 2016 call report, Melrose has 450 troubled debt restructured loans worth more than \$358 million. The credit union's March 2016 call report recorded 445 TDR loans that totaled \$376 million.

However, the credit union posted 724 delinquent loans totaling \$435 million at the end of the second quarter on June 30, 2016. At the end of the first quarter on March 31, Melrose recorded 542 delinquent loans that totaled \$374 million.

The credit union's loan income dropped significantly to \$29 million at the end of the second quarter of 2016 compared to loan income of \$39 million at the end of the second quarter of 2015.

Alan Kaufman, who served as president/CEO of Melrose since 1982, left in July. He was replaced by [Steven Krauser](#), who was appointed interim president/CEO about two weeks after Kaufman's departure.

According to a prepared statement released when Krauser's appointment was announced, the credit union said medallion loans will still be prominent in Melrose's portfolio but that Krauser will lead the credit union in a new direction to develop other lending and investment products.

In the prepared statement, Krauser said the credit union has increased its staff by 10%, including doubling its credit analysis and lending team staff, and adding business people to senior management. The senior managers were not identified in the prepared statement.

Other credit unions with large taxi medallion portfolios are the \$634 million Progressive Credit Union in New York City and the \$252 million LOMTO Credit Union in Woodside, N.Y.

Progressive posted a \$19.3 million net loss at the end of the second quarter. Its net worth is at 36% as of June 30, down from 39% on June 30, 2015.

Progressive had 233 TDR loans totaling \$107 million at the end of the second quarter, compared to 192 TDR loans totaling \$88 million at the end of the first quarter of 2016. The credit union also posted 193 delinquent loans totaling \$48 million at the end of the second quarter, while at the end of the first quarter, the cooperative recorded 119 delinquent loans that totaled \$24 million.

LOMTO had a net loss of \$4.2 million as of June 30 and a net worth of 11%, down from 16% in June 2015.

At the end of March 2016, LOMTO posted 101 TDR loans worth \$35 million and by the end of the second quarter on June 30 had 98 TDR loans that totaled \$34 million.

The credit union's delinquent loans totaled 75 worth \$23 million at the end of the second quarter, while at the end of the first quarter, LOMTO posted 62 delinquent loans that totaled \$22 million.