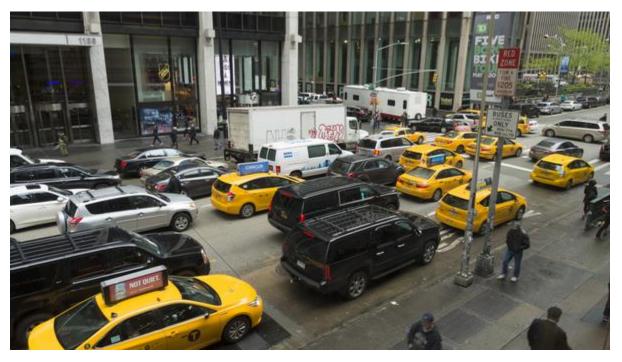
Taxi Loans Lead to LOMTO Conservatorship

By Jim DuPlessisJune 27, 2017 •



The NCUA has taken control of a New York credit union that lost millions as taxi investments lost value with competition from Uber and other ride-sharing apps.

NCUA said on Monday it conserved LOMTO Federal Credit Union in Queens (\$256.1 million in assets, 2,910 members) "because of unsafe and unsound practices at the credit union."

The agency did not specify those issues, but LOMTO's call reports with NCUA show its net worth fell into the "undercapitalized" range as of Sept. 30, and has remained there at each guarter's end through March 31.

LOMTO will continue normal operations under conservatorship as NCUA tries to work out its problems.

The credit union was started in 1936 by members of the League of Municipal Taxi Owners.

The credit union began its life the year before the advent of the taxi medallion, a sort-of public franchise created to control competition that left many Depression-era drivers

working long hours with little pay. A cab had to carry a medallion to operate in New York City, and there were only 12,000 medallions when the system started. There were still only 13,000 by 2015, and each sold for \$1 million or more.

The value of a medallion led LOMTO and some other New York City credit unions to specialize in loans tied to medallions. However, the <u>value of medallions</u> has plummeted as more people fetch rides by using apps on their mobile phones from Uber, Lyft, Gett and Via. In March, one medallion sold for just \$241,000.

Medallion loans losses led to conservatorships for others, including Montauk Credit Union on Long Island in September 2015, which then had \$178 million in assets, and the \$1.7 billion Melrose Credit Union in New York City in March. Montauk was consolidated in March 2016 with the \$6.9 billion Bethpage Federal Credit Union in Bethpage, also on Long Island.

LOMTO ended 2015 with a \$13.3 million net loss after taking a \$15.8 million hit from loan loss provisions. Last year ended with an \$18.6 million net loss after a \$17.1 million loan loss provision. It showed a \$462,019 net profit in the first quarter, but its net worth ratio was still under 6% and it remained undercapitalized.

LOMTO's net worth was \$14.1 million as of March 31, half its level a year earlier when the credit union was still classified as "well capitalized."

The member business loans not secured by real estate, which includes taxi medallion loans, accounted for \$195.7 million of LOMTO's \$208 million in total loans at the end of the first quarter.

That same class of loans accounted for \$42.6 million of the credit union's \$42.8 million in total delinquencies as of March 31 — nearly double the amount of delinquencies from a year earlier.