

**Uber****Uber's rise triggers financial crisis at taxi lenders**

Credit unions at risk of failure as loan losses mount



Traditional yellow-taxi drivers in New York and other US cities are defaulting on their debts © Reuters

Alistair Gray in New York  
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The rise of car-booking apps such as Uber and Lyft is causing a deepening financial crisis at lenders that have financed the US's traditional taxi drivers, who are now defaulting on their debts.

Regulators have warned that some co-operative lenders are so exposed to [soured taxi loans](#) that an insurance fund will need to step in to ensure depositors can get their cash.

While some listed lenders such as [Capital One](#) have posted rising losses from the yellow-cab business, smaller credit unions that specialise in the trade have run into serious financial difficulties.

Melrose Credit Union, a lender with \$1.5bn in assets established in 1922, is at risk of a potential liquidation as its delinquent loans have leapt fivefold over the past two years, to \$670m.

“This would be among the largest failures of a credit union ever,” said Keith Leggett, a former senior economist at the American Bankers Association. “It would be very costly. We haven’t seen anything like this since the financial crisis.”

Also at risk is Lomto, another New York credit union, whose troubled loans have jumped 10 times over the same period to \$39m. Other credit unions from San Francisco to New Jersey are grappling with financial problems, albeit less serious ones, caused by the downturn.

Credit unions carved out a lucrative niche financing cab operators, who need to borrow to buy licences, known as medallions, issued by the authorities to collect passengers.

But fierce competition from electronic car-booking services has left drivers struggling to repay the loans.

Meanwhile, the value of the collateral, the medallions, has collapsed. New York City medallions were worth about \$1m four years ago but some are now for sale for as little as \$250,000.

Melrose and Lomto have already been placed into “conservatorship”, putting regulators in charge. In recent months, their net worth, a crucial measure of financial health, has turned negative.

Rick Metsger, a board member of the National Credit Union Administration, has indicated that the National Credit Union Share Insurance Fund may need to step in. Deposit accounts up to \$250,000 have guaranteed protection.

The taxi woes threaten to wipe out a windfall of as much as \$800m that credit unions across the US had expected early next year by extracting cash from the over-capitalised insurance fund, Mr Leggett said.

Other lenders which are dealing with rising taxi losses include Quorum Federal Credit Union, whose delinquent loans have risen from \$14m to \$54m in the past two years, and Van Cortlandt Cooperative Federal Credit Union, where they have jumped from \$1m to \$8m.

Bruno Sementilli, Quorum's chief executive, said its taxi medallion portfolio accounted for about 8 per cent of its total assets. "We are prepared and have adequately reserved for potential losses," he said. "We are proud to have weathered this disruption to the financial sector."

The National Credit Union Administration said: "In the case of Melrose and Lomto, we are using our conservatorship powers to resolve the situation.

"During the financial crisis nearly a decade ago, we used the same conservatorship powers to conserve and resolve the problems in four critically undercapitalised credit unions."

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