The Hatchet Job

By Larry Fisher

The New York Times, represented by Brian Rosenthal's reporting, has revealed itself to be the spokesperson for certain powerful people in this city. There were many errors in the story published on May 19-20 and reiterated on "The Weekly," an FX show produced by the Times. Rosenthal has been all over local and national media including "The Daily," a NY Times podcast, and the Brian Lehrer show on WNYC radio. It's important to combat the message he is fomenting. Had I known his bias was as pronounced as it was, I might not have participated in this circus.

To review, Rosenthal posits that Uber's contribution to the fall of the medallion value has been overestimated. In his view, the lenders are mostly responsible. The TLC's promotion of medallion auction sales was a contributing factor in inflating the medallion bubble, he says. He also claims that federal and state examiners were not as vigilant as they should have been.

The first claim that is bogus is that income has only declined 10% for each medallion owner. The Daily News claims the figure to be closer to 36%, and others as much as 44%. He doesn't address the medallion owners who lease to fleets and have seen their income decline from $3,500 per month to $1,200 per month. Nor does he account for the owners, especially the newer owners who needed a second shift driver in order to make enough to pay expenses and have a decent living. We used to calculate that drivers, on average, were grossing $350 per day, which annualized on a six-day week to $105,000 per year. Add in a second driver, and the figures were closer to $150,000. And quite frankly, the $350 per day figure was on the low side, then.

Expenses generally totaled $30,000 before payments on the medallion loan, which made the loan payment makeable up to a certain point, depending on what other personal expenses each individual had. Rosenthal states that these loans were intentionally made to fail. There is no evidence of this fact and the truth is I've never seen or heard anyone express this point of view. **It is an outrageous accusation.**

Additionally, Rosenthal makes no real distinction between how banks or private lenders operated and how credit unions treated their borrowers. He generalizes that lenders abused their customers and members by insisting on borrowers sign a confession of judgment. No credit union that I know of ever insisted that borrowers sign that document for their loan files until the NCUA took over management of a few credit unions. He claims that balloon loans were used as a way of suckering borrowers. Actually, the balloon loans in the taxi industry began in the late 80's as a method of extending amortizations, lowering interest rates and making loan payments more palatable for borrowers. Lower payments, and lower interest rates are consumer friendly in my opinion, and helped many people stay in business over the years. As rates rarely moved higher, it was an unusual case that a borrower paid a higher rate when the balloon matured and refinancing was necessary. Hardly a sucker play.

I can only speak to my experience at Melrose. The 60-day delinquency at year end 2013 was $32,000 on a portfolio of $1,500,000,000. In other words, borrowers were paying on time. In fact, there were so few repossessions and foreclosures in the preceding ten years, we didn't know who to call for repossessions as the prior repo companies went out of business. The only item that changed after that was the city permitting Uber and Lyft to rapidly expand their fleet. This was done without an environmental impact study which was a statutory requirement to add any medallions, but black cars could expand unfettered, apparently, even though their contribution to pollution and congestion was the same. This benign "neglect policy" had the effect of destroying medallion value while maintaining plausible deniability that the city and the TLC were doing anything harmful. Had the TLC acknowledged that they were taking no action intentionally, they would have been liable financially to compensate medallion owners.

Other curious items in the Times article and TV show include the fact that there was minimal mention of Bloomberg, Yassky, and Joshi, under whose governance the medallion bubble accelerated and popped. Rosenthal goes back to the early 2000's when Matthew Daus was chairman of the TLC and promoting medallion sales, as if that was a bad thing. I must say that I went on NY1 to voice my displeasure with those sales then, and Mr. Daus voiced his displeasure with me for that. Nonetheless, the city sold those medallions, and the paradoxical effect of those auctions was that it caused the value to appreciate. **But Daus hasn't been chairman of TLC since 2010**. Lenders were typically against these sales back then. But, to listen to Rosenthal, you'd think the lenders invited the auctions.

The TLC's behavior during the Bloomberg years demands more scrutiny. Rosenthal was told about the bogus TLC average price they posted on their website, but he chose not to mention it. For over a year the TLC claimed the individual price was $1,050,000 based on the "average" of sales. In reality, there were a total of three sales that reached that level, and when a medallion sold for less than $1,050,000, brokers were required to get a NYC Dept of Finance waiver to allow that sale of $950,000 or whatever the transfer price was. Certain lenders relied on that average price to set values in order to lend. Once it was discovered that the TLC statistics were indeed bogus, federal examiners were notified, and the TLC was as well. The TLC then switched to posting a spreadsheet with all sales and included more detail. Nobody at the TLC has ever taken responsibility for this fraudulent activity, and Rosenthal never mentions it.

And he doesn't mention that at the medallion auctions, the TLC required a lender's commitment letter for at least 80% of the bid. So, if the borrower only qualified for a loan of 50% of the bid, and had a down payment for the remainder, his bid would have been disqualified. The lenders were practically forced to lend 80% in order to participate in the medallion auctions by the TLC. The lenders could have declined to lend in these situations, and as for the earlier WAV auctions, some did, based on the poor infrastructure of the WAV dispatch, car replacement and other related issues. A lender who already had a substantial stake in medallions would be wise to support the industry auctions.

But, go read Meera Joshi's deposition in Singh v NYC, TLC et al, and you might come away with the idea that she knew very little of her agency, and suspected even less. Her evasive answers to questions were quite revelatory. Now, she blames the lenders in a similar vein that Rosenthal has written. Before blaming the lenders, she'd carp about the industry needed to be more competitive with Uber. Competition usually is fought in the streets of pricing and since she and the TLC controlled the pricing of fares and the quality of vehicles, this was a disingenuous argument. Easier to blame the lenders, right?

Most taxi industry observers and stakeholders realize that the city government under Bloomberg, Yassky and Joshi are directly responsible for the bubble inflating and bursting. From the rates being taken off the doors, to the taxi strike when Bloomberg said, "Let the liveries pick up." To the night in the Garden when he famously said "I'm going to destroy your f____ing industry." And to the settlement with the ADA that requires 50% of the taxi fleet be wheelchair accessible (while Uber is only required to be 25%).

Now the brokers and lenders are the bad guys. He made a point to single out Savas Konstantinides of Omega Brokerage as a bad guy. He made the mistake of putting a guy into business with a minimal down payment, and even obtained for him a bank loan. In my 30 plus years in the taxi industry, there are few people who are as generous of spirit as Savas. **He was, and is a gentleman, and of all the things that were distasteful in this expose, the demonizing of Savas was appalling.**

One of my major objections to Rosenthal's coverage is his identifying an extreme abuse by lenders and extrapolating that to be a pattern or even the norm. It's blatantly not true. This is what makes me feel that the smearing of the industry leaders was intentional. Some might take the position that he was doing Uber a favor, but in my view, he is Bloomberg's, Yassky's and Joshi's mouthpiece, for they are the ones responsible for the loss of $13 billion of lost asset value so far, and their behavior needs to be viewed under the microscope of an investigation.