

Etobicoke Community Credit Union forced into bankruptcy by bad loans

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A deficit of at least \$6 million from bad loans has forced the Etobicoke Community Credit Union into bankruptcy.

But the Universities and Colleges Credit Union will buy the institution's assets, a move approved yesterday by the Supreme Court of Ontario.

Members and full-time staff will "experience little disruption," the

Etobicoke credit union said in a statement.

Accounting firm Thorne, Ernst and Whinney has been appointed trustee in the bankruptcy and will oversee the sale.

The purchase price was not disclosed, but a spokesman for the Etobicoke credit union said the buyer will probably pay about \$6 million when total assets are valued.

Mike Andrews said the bankrupt institution has deposits of about

\$14 million. They'll be taken over by the buyer, which will begin operating Etobicoke's three branches on Monday.

The Ontario Share and Deposit Insurance Corp. will pay out about \$8 million to cover the deficit and ensure that no losses are incurred by the credit union's 5,500 members.

"Not one depositor will lose a dollar," Etobicoke credit union president Lindsey Wellner said in the statement.

The insurance corporation is financed through premiums paid by Ontario's 800 credit unions, and covers individual deposits of up to \$60,000. A further \$75 million 10-year loan guarantee was provided last year by the provincial government to cover any shortfall the fund might incur.

Andrews said the credit union has been running a deficit since the early 1980s because of a number of uncollected business loans it made then. In June, 1987, the Ontario Share and Deposit Insurance Corp. took control of the credit union when financial statements revealed the deficit had swelled to \$5.7 million.

Despite attempts to improve the quality of the credit union's loan portfolio, the deficit continued to grow over the past year, forcing the institution into bankruptcy.

Institutions with so large a deficit have generally proved very difficult to sell as going concerns.

The Etobicoke credit union is the second such institution in Ontario to file for bankruptcy in the past year. The Toronto Board of Education Staff Credit Union collapsed in June, 1987, after it was defrauded of almost \$8 million. Its assets also were subsequently purchased by the Universities and Colleges Credit Union.

In April, the Ontario Share and Deposit Insurance Corp. reported that 76 of the province's 800 credit unions were running deficits. It added that 16 insolvent credit unions closed during the six months prior to April, 1988, and that a number of financially troubled institutions, with deficits totaling about \$75 million, were being closely monitored.

Most of the credit unions ran into difficulty when interest rates soared during the recession of the early 1980s and have not yet recovered their losses. Some credit unions had money invested at 10 per cent, but were paying much higher rates of interest to their customers.