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**National Association of Federally-Insured Credit Unions**

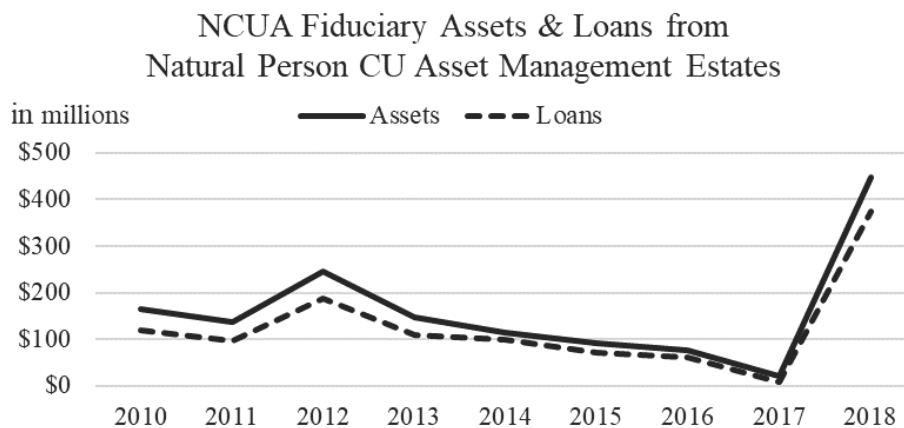
February 4, 2020

The Honorable Rodney Hood, Chairman  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Dear Chairman Hood:

On behalf of the Share Insurance, Liquidity and Development Fund Oversight Committee (SIF Committee) for the National Association of Federally-Insured Credit Unions (NAFCU), we are writing to you regarding the National Credit Union Administration’s (NCUA’s) stewardship of the taxi medallion loans acquired through the resolution of credit unions which held such loans in high concentrations, and specifically in regards to a recent article indicating that the agency is meeting with a group representing borrowers ahead of the potential sale of as many as 3,500 of these loans.<sup>1</sup>

We note that such a large amount of assets under active management by the NCUA’s Asset Management and Assistance Center (AMAC) is without recent precedent. The chart below shows the year-end assets and loans under AMAC’s control for natural person credit unions since those figures were first reported in the agency’s 2010 Annual Report. The SIF Committee is concerned that the unusually large asset portfolio strains agency resources and poses a risk to the credit union community so long as it is under management by AMAC.



Source: NCUA Annual Reports

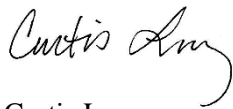
<sup>1</sup> Baumann, David. “Amid Urgent Calls for Help, NYC Taxi Medallion Task Force to Meet With NCUA Officials.” *Credit Union Times*, January 31, 2020. <https://www.cutimes.com/2020/01/31/amid-urgent-calls-for-help-nyc-taxi-medallion-task-force-to-meet-with-ncua-officials/>.

In its discussions of the disposition of corporate credit union legacy assets which the agency securitized under the NCUA Guaranteed Notes (NGN) program, NCUA staff clarified the agency's role in liquidations. In particular, "the NCUA's role as liquidating agent is to conduct an orderly liquidation, not function as a long-term asset manager," and "NCUA will... seek a reasonable price upon which to liquidate assets while trying to minimize losses."<sup>2</sup> In light of these statements, the SIF Committee appreciates the recent action on the part of the agency and could support an expeditious a sale as possible, so long as the agency is able to get a fair price for the portfolio. NAFCU members have expressed questions and concerns relative to the factors NCUA will use to determine whether or not an offer represents fair pricing, given the rarity of these transactions in the open market. Ultimately, if it is determined that a fairly-priced transaction is not feasible at this time for the entire portfolio of medallion loans, the NCUA should consider exploring other avenues to achieve a fair price in the most expeditious way possible.

Finally, we urge the NCUA to conduct any such transaction with appropriate transparency, recognizing that the NCUA must balance its actions on behalf of the SIF with their potential impact on active credit unions with medallion loans. Given that the agency expensed over \$700 million in loss reserves coinciding with the liquidation of those credit unions which held taxi medallion loans in high concentrations, the industry deserves a transparent account of the management and, potentially, the disposition of these assets. Doing so will reassure insured credit unions that the agency engaged in a robust bid-seeking process and ultimately secured the best price possible.

NAFCU and the SIF Committee thank the NCUA for its consideration of our concerns. We recognize that as both the prudential regulator and the insurer of the credit union industry, the NCUA must balance the goals of promoting the safety and soundness of individual credit unions that are still holding underwater taxi medallion loans with that of a strong insurance fund. In addition, there has been a larger public policy debate surrounding how to help the taxi-driver industry. Accordingly, we believe it may be helpful for stakeholders to understand the process the NCUA is undertaking to resolve these assets. NAFCU appreciates your willingness to hear our perspective.

Sincerely,



Curtis Long  
NAFCU VP of Research & Chief Economist  
Liaison to NAFCU SIF Committee

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<sup>2</sup> Board Briefing, *NGN Legacy Asset Disposition Strategy*, December 2016 NCUA Board meeting.

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**SIF Committee Members:**

Debra Schwartz, Chair, Mission Federal Credit Union  
Garland Avent, Local Government Federal Credit Union  
Todd Cain, Emery Federal Credit Union  
Ed Casanova, Bourns Federal Credit Union  
Pamella Easley, AltaOne Federal Credit Union  
Lisa Hudson, The New Orleans Firemen's Federal Credit Union  
Kevin Jackson, Department of Labor Federal Credit Union  
Edmond Jordan, Essential Federal Credit Union  
John Katalinich, INOVA Federal Credit Union  
William Maher, Arlington Community Federal Credit Union  
Leanne McGuinness, The Summit Federal Credit Union  
Jerry Spratt, Arkansas Federal Credit Union  
Drew Stanley, Franklin Mint Federal Credit Union  
Simone Suri, Members Cooperative Credit Union  
Nathanael Tarwasakono, Firstmark Credit Union