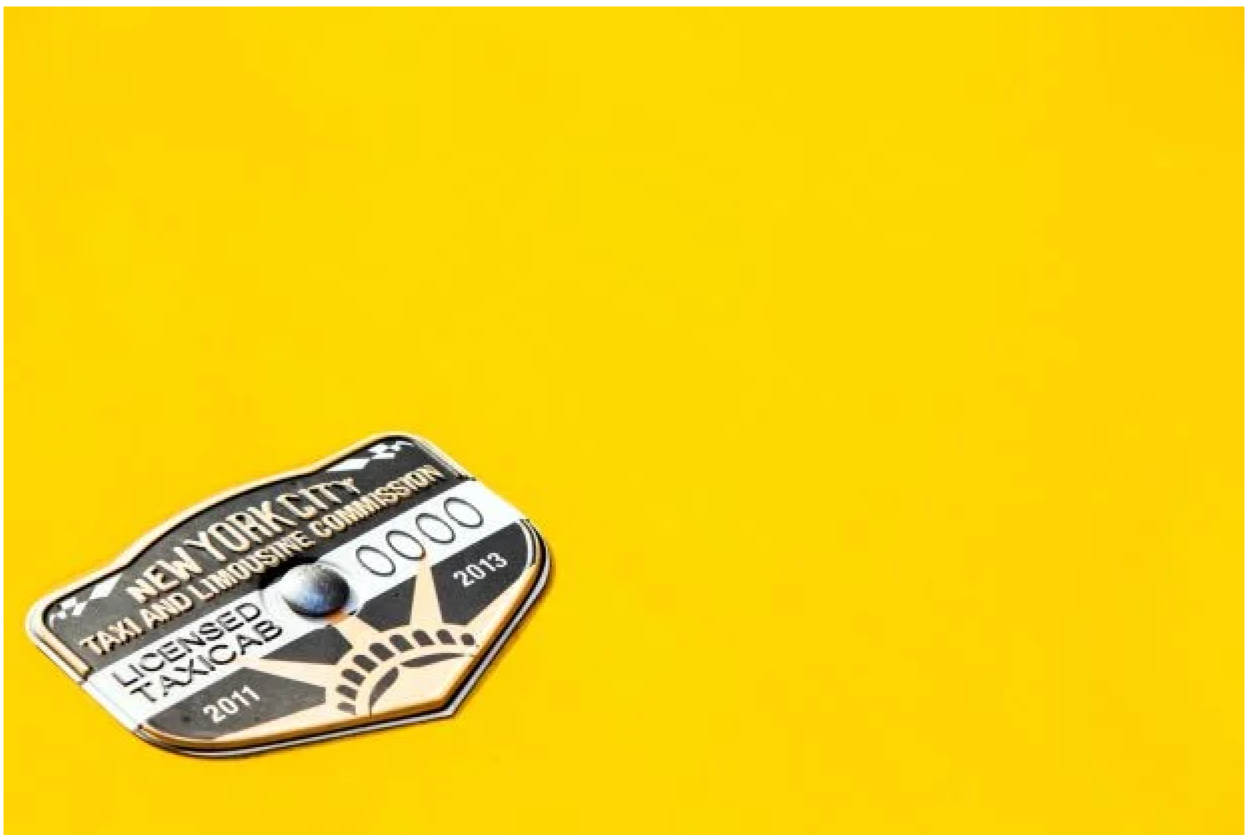
Credit Union Times

How One Person Is Helping CUs Clean Up the Taxi Medallion Mess

Robert Schlageter resells 600 medallions in six markets that appear to be making a comeback.

By Peter Strozniak | July 28, 2022



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Following a successful taxi industry career that spanned more than four decades, Robert Schlageter was enjoying retirement when he read about the New York state regulator placing Melrose Credit Union under NCUA conservatorship in February 2017 after the New York financial cooperative posted hundreds of millions of dollars in taxi medallion losses.

Many taxi medallion loans were underwater because drivers lost much of their business to the highly popular ride sharing services. In addition to Melrose, other credit unions with large taxi medallion portfolios, and credit unions across the nation that held taxi medallion participation loans, also lost tens of millions more. The mounting losses forced some credit unions out of business while others were merged out of existence.

From this taxi medallion crisis , Schlageter came up with an idea to help credit unions remarket and sell the repossessed medallions to independent professional drivers, enabling credit unions to at least recover some portion of their losses while also helping to stabilize the taxi medallion markets. He said he believes there are credit unions that may still be looking for help to sell their repossessed medallions.

Through his extensive contacts in the taxi industry, and his negotiation methods to maximize the medallion sales price while also eliminating or reducing fees and penalties, Schlageter has remarketed about 600 repossessed medallions in the New York, Chicago, Philadelphia, Boston, Cambridge, Mass., and Miami markets for the $11.5 billion Bethpage Federal Credit Union, and for Progressive Credit Union before its 2018 merger into the $35.3 billion PedFed Credit Union in McLean, Va.

“He’s got deep experience in the industry, and he knows people,” Bethpage CFO Brian Clarke said. “We had this inventory of medallions to sell and there were all indications that the inventory was going to be increasing. So we needed that expertise and he’s been awesome.”

Montauk Credit Union, which was placed into conservatorship because of its financially troubled taxi medallion loan portfolio, was merged into Bethpage in 2016. Montauk posted losses of more than $17 million. A year later, Northwell Health Federal Credit Union, which lost $2 million because of several taxi medallion participation loans, also consolidated into Bethpage.

Schlageter launched his career at a New York city taxi medallion loan servicing company in 1976 when medallions were going for about $20,000. He later became involved in selling loans and making collections.

Robert Schlageter

“For me, it was gratifying because we were selling to guys who were buying a job,” he recalls. “I always used to call the taxi business entry-level capitalism.”

Schlageter opened a business in 1986 that originated taxi medallion loans, bundled them and sold them to financial services institutions while his company continued to service the loans. He sold his business in 2010 and was living in the world of retirement until news headlines of the taxi medallion crisis grabbed his attention and triggered his remarketing idea.

Schlageter, who first took his idea to the NCUA, said the federal agency initially liked it and hired him on the spot. But in about two weeks, the NCUA decided to go in a different direction, and they amicably parted ways. In February 2020, the NCUA announced a highly controversial decision to sell an undisclosed number of New York City taxi medallions to Marblegate Asset Management for an undisclosed amount of money. The federal agency had thousands of taxi loans, largely due to the failure of Melrose and LOMTO Federal Credit Union.

After leaving the NCUA, Schlageter got a call from someone he knew for years: Robert Familant, former president/CEO of Progressive, which also was hit hard by the taxi medallion crisis and posted tens of millions in losses. After signing a consulting agreement with Progressive, Schlageter remarketed its repossessed medallions.

After Progressive was consolidated with PenFed, Schlageter got a call from Bethpage, which he has worked with since 2019.

His approach to remarketing taxi medallion loans is pretty simple but effective. After determining what type of medallion is up for sale because they all have different values, he calls four to five brokers and asks them to submit bids.

“That’s the way you get the best price because you have brokers competing against each other to get that medallion,” he explained. “A lot of lenders will work with one broker, so they get only one price and that’s it. I’ve never taken that approach.”

He also said he leverages patience in that he doesn’t accept the first, second or even the third bid. His patience over a seven to 10-day period typically yields higher bids.

Over the past year, it has appeared the taxi industry in New York has stabilized and the value of medallions has substantially increased. For example, New York City’s Taxi and Limousine Commission data showed the average medallion value jumped from $92,565 at the end of June 2021 to $140,663 through May, an increase of nearly 52%, according to a June 9 report in *Crains New York Business* magazine.

Schlageter said he’s been fetching, on average, about $145,000 per medallion and leverages his negotiation skills to eliminate fees and penalties tacked on to repossessed medallions.

“I’m selling almost exclusively to career drivers,” he said. “I get to see some of their earnings reports and those who work hard – 10 to 12 hours a day, six days a week – can book $100,000 a year.”

What’s more, ride-sharing company Uber in March struck a deal with two taxi companies that allows New Yorkers to order a yellow taxi on Uber’s app. According to local media reports, Uber decided to form this unlikely alliance because of driver shortages that were extending wait times and driving up fares.