



February 17, 2012

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Re: *Comments on Proposed Rule on Loan Participation*

Dear Ms. Rupp:

*On behalf of the Board of Directors of the Montauk Credit Union, I appreciate the opportunity to comment on the proposed amendments and new rules to 12 CFR Parts 701 and 741 regarding loan participations.*

*Montauk Credit Union, located in New York City is an originator of taxi medallion loans. Currently, Montauk Credit Union originates taxi medallion loans in four primary markets: New York, Chicago, Philadelphia; and San Francisco. Montauk Credit Union has over thirty years of experience in originating taxi medallion loans. In those thirty plus years, the credit union has never experienced a loss in principal, not one penny, in any taxi medallion related loan.*

*Due by in large to the huge success of many of our members, their businesses have grown dramatically over the years and have relied on Montauk Credit Union to assist them with their financial needs. Through loan participations, coupled with our participating credit union partners, we have been able to meet the increased loan demand of our membership, and help them continue to grow their businesses. I was taught as a child that this is the true definition of the American dream; I for one am proud of making so many financial dreams come true. Over 98% of our borrowing members are immigrants from all over the world, who have come here to be free to run and grow their businesses in a prudent and provident manner. Through the strategic use of loan participations, Montauk Credit Union makes that concept of meeting their ever changing financial needs a reality.*

*Montauk currently services approximately sixty million dollars of taxi related participation loans to some twenty credit union participants located across our great country. We began our participation program twenty years ago, and as our membership needs have changed over the years, a greater importance was placed on our loan participation program to meet those needs.*

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*The benefits derived by our loan participations are numerous and at a minimum, threefold. First it benefits our member. He or she only needs to work with one financial institution, Montauk Credit Union for all their financial needs. Secondly, it benefits Montauk. We are able to serve our member's needs and keep all of their business with us. Thirdly, it benefits the participating credit union. They purchase a loan at a healthy rate of return, underwritten in a safe and sound fashion, adding to their bottom line. During these very difficult financial times, every dollar added to income is critical.*

*In the twenty years Montauk Credit Union has sold loan participations to credit unions, once again, there has never been a penny lost in principal on any loan. Our credit union participants, many of whom have been with us close to twenty years, have become accustomed as part of their overall business plan to purchase these loans with confidence. Montauk Credit Union takes this special relationship and the responsibilities associated with such a program very seriously. To the best of my knowledge, every credit union involved in our participation program, as part of their due diligence prior to purchasing any loans, have visited our credit union to personally review specific loan files, and to better familiarize themselves with our staff and the process involved with the program. All credit unions involved with us have demonstrated the utmost care and concern about how they invest their member's money. Due diligence is at the top of every credit union's list prior to loan implementation.*

*Through the years, many of the twenty or so credit unions on the Montauk list of participants remain solely with us because of a high level of trust and confidence that exists between our respective organizations. The proposed regulation puts this in jeopardy!*

*This is why I question NCUA's inclusion of limiting loan participation interests from a single originator not to exceed 25% of the purchasing credit union's net worth. This limitation is in our view harmful in a number of ways. In many cases our participants who may have more than 25% of their net worth with us, will see their relationship with Montauk slip away. They will see their participating loan balances diminish dramatically, which will have a profound impact on their earnings. Taxi medallions refinance quickly which is the nature of the business, and as a result, the original participant will see their share of strong performing loans, head elsewhere. It will also force Montauk to seek alternative relationships, in all likelihood to other credit unions that may not be as familiar with the type of lending product potentially damaging the relationship Montauk has with its member. The 25% aggregate calculation seems to be completely arbitrary and capricious, and we are very interested in knowing how this was determined. Limiting credit unions to 25% clearly ruins strong relationships built on trust and years of positive results, which in my view creates a real safety and soundness issue, that I cannot believe any regulatory entity would support, or endorse.*

*Additionally, our current participant will look to develop relationships with credit unions who like Montauk, originate taxi medallion loans. They will be able, as per your regulation to purchase medallion loans up to 25% of their net worth from other like credit unions. If the purpose of this proposed regulation being considered is to limit exposure to any one participant, how does purchasing similar loans from different originators eliminate that perceived risk? It doesn't is your answer. It just causes all the credit unions involved to do more unnecessary work, and does absolutely nothing to reduce what the agency thinks is a risk, which we have*

*proven over the years with a time tested product that has never caused a single penny of loss to anyone involved. Montauk continually seeks to develop new member relationships with those involved in the taxi industry. As such, the importance of a sound loan participation program, free of numerous restrictions, is critical.*

*Montauk has never sold loans through its participation program without retaining at a minimum 10% share of the loan. In fact, it's quite rare that Montauk retains such a small percentage.*

*In closing, Montauk Credit Union has always placed a great deal of emphasis on serving its members to the best of our abilities. Any potential disruption to member service as a result of this proposed rule change makes little or no sense to us. We urge the NCUA Board to proceed with caution and to think through this proposed regulation change thoroughly before making a hasty decision that will negatively impact credit unions and their members across the country.*

*Thank you for your consideration, and do not hesitate to contact us if we could be of further assistance.*

*Sincerely,*

A handwritten signature in black ink, appearing to read 'Louis Jimenez', with a long horizontal flourish extending to the right.

*Louis Jimenez  
Treasurer/CEO*