

1. Executive Summary

As a result of increased competition for passengers and a decline in medallion values on the secondary market, many taxi drivers who own their medallion currently face significant financial challenges. Mayor de Blasio ordered a 45-day review be conducted by the New York City Taxi and Limousine Commission (“TLC”), the NYC Department of Consumer and Worker Protection (“DCWP”) and the NYC Department of Finance (“DOF”) into the practices of businesses licensed by TLC to facilitate the purchase and sale of taxi medallions (“Brokers”), and to inform broader City efforts to support taxi drivers.

Major Findings:

- During this 45-day investigation, TLC, DCWP and DOF staff reviewed 5,513 pages of records, conducted and analyzed a survey of drivers who own their medallions, and held outreach events in each of the five boroughs.
- TLC rules require Brokers prepare documents summarizing loan and purchase agreement terms, as well as disclose any interests they may have in medallion transfers. Although some Brokers were found to be in compliance with these requirements, the investigation identified instances where required documents were missing or incomplete, as well as transfers where Brokers failed to disclose in writing an interest in the transaction. These violations have been forwarded to TLC’s Prosecution Division for enforcement action.
- The investigation revealed that in many cases the required documentation and disclosures Brokers provide their clients include insufficient or unclear information.
- Although Brokers frequently help drivers negotiate a loan for the medallion purchase, Brokers fail to adequately explain the terms of these loans to their clients. The investigation found a majority of surveyed drivers who used a Broker reported they did not have a clear understanding of their loan agreements.
- For current drivers, the largest single issue they face is an unaffordable level of debt. The average median debt owed by surveyed drivers is approximately \$500,000, well above the prices medallions regularly sell for today on the secondary market. Because of loan refinancing, drivers who purchased years ago at lower prices also often carry significant debt.
- 51% of surveyed drivers stated they struggle to pay their monthly bills and 26% stated they are considering bankruptcy. However, only 15% of surveyed drivers indicated their lender has lowered the monthly payments or reduced the loan principal.
- Nearly two-thirds of surveyed drivers reported their loan is held by a credit union or was issued by a credit union subsequently taken over by the National Credit Union Association (“NCUA”).
- Survey results support prior reports from drivers that credit unions taken over by the NCUA are often the least willing to work with drivers struggling to afford their monthly loan payments. Of surveyed drivers whose loans were issued by Melrose or LOMTO, the two largest institutions taken over by the NCUA, only 9% reported the NCUA had taken steps to lower monthly loan payments or reduce their loan principal.

- The NYC Sheriff investigated allegations of illegal medallion repossessions. As a result of its investigation, on July 2, 2019, the Sheriff arrested Anthony Medina on four separate counts of Criminal Impersonation of a NYC Marshal. For the past three years and across four boroughs, Medina allegedly impersonated a NYC Marshal to help him seize taxis, medallions and rate cards from owners who were allegedly in default.

Recommendations:

- TLC should amend its rules to include new, enforceable standards to ensure Brokers act in the interests of their clients, regularly report to TLC interests they have in TLC licenses and in businesses serving TLC licensees, provide clear information on any interest a Broker may have in a transfer, and submit to TLC written agreements for all Broker-provided services.
- Moving forward, Brokers should be required to complete for their clients a loan disclosure statement providing a summary of material terms of any loans a driver secured to finance the purchase. The form will provide a simple, easy-to-read summary of the total amount borrowed, total cost to pay off the loan, monthly payments and interest rates, the term of the loan agreement, and the amount of time required to pay off the loan. As nearly 95% of taxi drivers are immigrants, TLC will translate these new forms into the City’ top 10 non-English languages.
- To ensure Brokers comply with these new, important driver-protection requirements, the TLC will form a new Business Practices Accountability Unit (“BPAU”) which will review annual Broker disclosures for accuracy and completeness, perform random investigations of Brokers’ interests to ensure the disclosed interests on file with TLC remain accurate, and review broker agreements and Broker-provided closing and loan disclosure statements for accuracy, completeness and compliance with TLC Rules.
- To further increase transparency for prospective buyers and sellers, TLC will create and maintain on the TLC website a list of enforcement actions against brokers. TLC will also post Brokers’ annual disclosures of interests in TLC licenses and TLC-related businesses as well as a plain language medallion transfer guide for those who choose to buy or sell a medallion without employing the services and costs of a Broker.
- TLC will develop new, standard disclosure forms to be used by Brokers to disclose to their clients any interest they have in all future transaction. TLC will translate these new disclosure forms into the City’ top 10 non-English languages.
- Although the TLC and the City have no regulatory oversight or control over lending practices, the City should continue working to influence federal and state officials to use their powers to persuade credit unions, banks and other lenders to right-size existing loans and institute policies to prevent unsustainable lending practices occurring in the future.
- The City should continue efforts to expeditiously launch the Driver Assistance Center announced by Mayor de Blasio. The center should have financial counselors available to help review each driver’s finances individually, discuss their available options, and help drivers determine which option best fits their needs. The center should also expand on the services currently offered through DCWP’s Office of Financial Empowerment

(“OFE”) by providing credit/finance professionals who can analyze individuals’ financial needs and then advocate for them with lenders to modify outstanding loans to make them more affordable, including reduced loan amounts and reduced monthly payments.

Enhancing Broker requirements, increasing oversight of these businesses, and providing resources to drivers are important actions the City can take in response to the challenges they face. Because many of the challenges relate to unaffordable loans, State and Federal agencies should undergo similar reviews of their processes and the institutions they oversee so that they may also take appropriate enforcement action or develop new policies or programs to assist struggling drivers.

2. Background

TLC has regulated individuals advising clients who seek to purchase or sell a New York City yellow taxicab medallion as Brokers since 1984, when the NYC Council passed and Mayor Koch signed Local Law 18.¹ The local law requires Brokers to deposit a \$50,000 bond for nonpayment of fines imposed by TLC or judgements resulting from any misrepresentation, fraud, deceit, or other unlawful act committed by the Broker. Finally, Local Law 18 grants TLC the power to impose a fine of up to \$10,000, suspend or revoke a license for making a material misstatement or misrepresentation on a Broker license application, committing a fraudulent, deceitful or unlawful act while acting as Broker, or violating any TLC rule.

In addition to the requirements enacted in local law, TLC Rules² provide requirements and penalties governing Brokers’ conduct. Relevant to this report, pursuant to TLC Rules, a Broker must:

- Disclose to TLC at the time of license application any potential conflicts of interest the applicant may have resulting from financial interest in a lender, insurance broker, or automobile dealer (TLC Rule §62-05(c));
- Disclose in writing to the Broker’s client any interest in the purchase or sale of a medallion (TLC Rule §62-15(a-b));
- Disclose in writing to the Broker’s client any interest in a lender, insurance broker or auto dealer providing goods or services to the Broker’s client (TLC Rule §62-15(c));
- In the event the Broker facilitates financing, provide the Broker’s client copies of all documents provided by the lender to the Broker (TLC Rule §62-19(b)(1));
- Provide the Broker’s client, within ten business days of a medallion transfer, a closing statement listing the names and addresses of the seller(s) and purchaser(s), the medallion(s) being sold, the sales price, vehicle cost (if applicable), amount of personal funds furnished by the purchaser, names and addresses of lenders with the loan amount(s), the Broker’s commission, and a list of all disbursements made on behalf of the client with an explanation of the purpose for each payment (TLC Rule §62-19(b)(2));

¹ Local Law 18 requires TLC to license individuals “act[ing] as an agent or intermediary in negotiating the purchase or sale of a taxicab or of stock of or in a corporation which is an owner ... or in negotiating a loan secured or to be secured by an encumbrance upon or transfer of a medallion...”

² Chapter 62 of Title 35 of the Rules of the City of New York (“TLC Rules”)

- Maintain records related to each medallion transfer for a period of three years (TLC Rule §62-20(a)); and
- Avoid acts of fraud, misrepresentation, or theft (TLC Rule §62-23(c)).

TLC currently licenses 20 Brokers.³ These licensees range from individuals averaging a few transfers each year to large operations completing over 100 transfers in a year. Some larger Broker operations have affiliate businesses serving drivers, including insurance brokerage, loan servicing, lending for the purchase of medallions or vehicles, and fleet operations for passive owners who own a medallion purely as an investment.⁴ Many Brokers also own outright or own an interest in taxi medallions, which they lease to drivers through their fleet operations. TLC Rules require Brokers to disclose any interest in these services due to the potential conflict of these related multi-faceted operations.

Although TLC Rules do not require the use of Brokers to purchase or sell a medallion on the secondary market or at auction, given the often-complex nature of these transactions and the sizable investment they represent for owners, Brokers’ services are used in the vast majority of medallion transfers. Brokers match prospective purchasers with sellers, negotiate sale prices, advise on auction bid amounts, conduct due diligence searches with the City and New York State to identify outstanding taxes or fees owed, complete required paperwork, facilitate any necessary notification to taxi fleets and in-vehicle technology vendors, and guide their clients through the closing and licensing processes at TLC.

Historically, TLC has received few complaints against Brokers. A complete search of TLC correspondence and TLC prosecution records, as well as a review of complaints made through 311 within the prior 10 years identified approximately 50 complaints against Brokers. A review of these past complaints revealed each was not in fact against a Broker but rather against a Broker’s affiliated agent license or against an unlicensed individual holding himself out as a TLC-licensed agent.^{5,6} However, articles published by the *New York Times* investigating the

³ The following businesses hold TLC broker licenses:

299 10TH AVE BROKERAGE INC.	ALMAX TAXI BROKERS LLC	MIKE MELLIS BROKERAGE INC	PROGRESSIVE ASSOCIATES BROKERAGE
6814 KING CAPITAL CREDIT LTD	BYWAY TAXI MANAGEMENT INC	MYSTIC BROKERAGE INC	RIVERSIDE TAXI BROKERS INC.
A&J TAXI BROKERAGE INC.	JERICHO TAXI BROKERS INC	NY CHECKER MANAGEMENT CORP	SUSAN LAMMEY BROKERAGE INC.
ACTION MEDALLION SALES LLC	JOBAR, INC	OMEGA BROKERAGE INC	THE BEST TAXI BROKER CORP.
ADVANCED TAXI BROKERAGE INC.	MEDALLION TRANSFER INC	PEARLAND MEDALLION TRANSFERS LLC	WESTWAY MEDALLION SALES INC

⁴ Fleet operators are licensed separately by TLC as taxicab agents.

⁵ Chapters 58 and 63 of Title 35 of the Rules of the City of New York provide extensive regulation of an Agent’s fleet operations and enforcement of these regulations has long been a priority of TLC’s inspectors and prosecutors.

⁶ Erroneously attributing complaints to Brokers is almost certainly a result of a lack of clarity as to the often-numerous businesses affiliated with a Broker. The lack of clarity and recommendations on how to address this issue are discussed in this report.

financial struggles of NYC taxi medallion owners included allegations of TLC-licensed broker misconduct.⁷ Specifically, the Broker allegations include failing to make clients aware of basic loan or purchase agreement terms, failing to act in the interests of their clients, not disclosing financial interests Brokers had in loan agreements, and facilitating unsound lending practices.

In response to these allegations and to inform broader City efforts to support taxi drivers, Mayor de Blasio ordered a 45-day review of Broker practices be conducted by TLC, DCWP and DOF to identify instances of Broker misconduct and develop a comprehensive regulatory response addressing any issues identified that fall beyond the scope of current Broker regulations provided in TLC Rules and local law. This report details the work completed by TLC, DCWP and DOF, the findings of the agencies' investigation, and recommendations to address identified issues and deficiencies. Due to the sensitive and personal information shared by drivers and ongoing investigations into brokers, lenders, and their agents, drivers interviewed by TLC, DCWP and DOF, and Brokers currently under ongoing investigation are not identified in this report.

3. Methodology and Findings

3.1 Broker Directives

To comprehensively understand the services currently offered by Brokers, as well as the information they provide their clients, TLC directed the 20 licensed Brokers to submit copies of all documents and agreements provided to their clients between June 1, 2016 and May 29, 2019.⁸ Of the 20 Brokers, three failed to respond to the directive and were issued summonses by TLC. Upon receiving the summons, two Brokers complied with the directive. One affirmed that they had no documents from the relevant period, while the other provided the requested documentation. TLC enforcement officers completed an office inspection of the final nonresponsive Broker. During their visit, the Broker signed an affirmation that they had no documents from the relevant period.

In total, seven of the 20 Brokers affirmed that they had no documents from the relevant period. A review of TLC's medallion transfer database revealed no medallion transfer activity by these Brokers between June 1, 2016 and May 29, 2019. Additionally, outreach to and information provided by drivers has thus far revealed no responsive documents or indicated any activity from these seven Brokers.

TLC undertook a comprehensive review of the records provided by the 13 Brokers. In total, Brokers submitted 5,513 pages of records to TLC. TLC completed the review of these records in five phases: (1) an initial intake documenting the type of records received, the medallion(s) impacted, fees charged and disclosures made by the Brokers of an interest in the transaction; (2) a comparison to TLC's medallion transfer database to determine completeness of each Broker's submission; (3) a review of submitted records for compliance with applicable TLC Rules; (4) a

⁷ Brian Rosenthal, *"They Were Conned": How Reckless Loan Devastated a Generation of Taxi Drivers*, N.Y. Times, May 19, 2019. Brian Rosenthal, *As Thousands of Taxi Drivers were Trapped in Loans, Top Officials Counted the Money*, N.Y. Times, May 19, 2019.

⁸ TLC's directive was limited by TLC Rule §62-20(a) which currently requires specified information and records be retained for three years.

comparison of the disclosures made with known Broker interests in TLC licenses and TLC-related businesses to determine if Brokers properly informed their clients of any interest in the transaction; and (5) a qualitative review of the documents provided to determine if Brokers were providing their clients with a sufficient and consistent explanation of the terms of the transactions.

This review provided valuable insight into Brokers' business practices, including the following:

- Brokers charged fees in the majority of transactions. 55% of sellers were charged a fee by their Broker, averaging approximately \$5,000 per transaction, and 70% of purchasers were charged a fee by Brokers, averaging approximately \$4,000 per transaction.
- Brokers did not consistently use written broker agreements explaining the terms of their representation or activity with the purchasers/sellers of the medallions. Less than half the records provided included these agreements.
- Brokers held and disclosed interests in various parts of transactions. Brokers disclosed 9 instances of an interest in the purchase (the Broker was buying their client's medallion), 18 instances of an interest in the sale (the Broker was selling a medallion owned by the Broker to the Broker's client), 11 instances of an interest in the lender providing funds for their client's medallion purchase, 53 instances of an interest in the insurance company providing coverage to their client, and 1 instance of an interest in the automobile dealership selling a vehicle to their client.

Comparing the documents provided by Brokers with known Broker activity contained in TLC's medallion transfer database revealed seven Brokers failed to provide documents for at least one of the transfers in which they served as Broker within the prior three years. These incomplete directive responses have been forwarded to TLC's Prosecution Division for enforcement action. Of these Brokers, the percentages of their transfers where they provided all of the required documents were as follows:

- Broker 1: 84%
- Broker 2: 60%
- Broker 3: 66%
- Broker 4: 45%
- Broker 5: 90%
- Broker 6: 81%
- Broker 7: 70%

TLC Rules govern the contents of the records provided by Brokers to their client. Of particular relevance to this investigation, TLC Rule §62-19(b)(2) specifies information that Brokers must include in closing statements for each medallion transfer. The closing statement is designed to provide purchasers and sellers with a summary of relevant details from the purchase agreement and any medallion loans the purchaser secured to finance the transaction. Specifically, closing statements must list the names and addresses of the seller(s) and purchaser(s), the medallion(s) being sold, the sales price, vehicle cost (if applicable), amount of personal funds provided by the purchaser, names and addresses of lenders with the amount(s) of each loan, the Broker's fee or

amount of commission, and a list and explanation of all payments made on behalf of the Broker's client. Approximately half of all submitted closing statements failed to include at least one element required by TLC Rules. Most commonly, Brokers failed to include the addresses of buyers and sellers and failed to indicate if the source of the funds was personal or a loan. Instances of incomplete closing statements have been forwarded to TLC's Prosecution Division for further investigation and appropriate enforcement action.

To determine if Brokers in fact disclosed their interests in medallion transfers as required by TLC Rules, TLC and DCWP undertook an extensive review of Brokers' online and print advertisements, their financial interests in TLC medallions as well as TLC-related businesses, including lending institutions, insurance brokerages, and automobile dealerships. This review was limited to four Brokers who TLC has reason to believe have significant self-interests that could conflict with the interests of their clients.⁹ This investigation uncovered 12 transfers in which a Broker had an interest in either the sale or purchase that was not disclosed. The average per-medallion price paid in these transfers was approximately \$140,000. Further review revealed that in all but two of these instances, the Broker transferred ownership from one corporation owned by the Broker to another corporation owned by the Broker or owned by a relative of the Broker. Finally, this review revealed one Broker routinely failed to disclose their interest in the lender providing purchase funds to the Broker's client. In these instances, it is possible a client knew of the Broker's interest as the affiliated lending operation is located in the same office as the Broker. However, even if the Broker's interest was known, TLC Rules provide no exception from the duty to disclose this interest. Each instance of an undisclosed interest is currently under investigation by TLC's Prosecution Division.

Finally, TLC and DCWP reviewed a representative sampling of documents to determine if documents provided by Brokers to their clients clearly and sufficiently explained material terms necessary for their clients to make informed decisions. The documents reviewed varied widely in form and substance. As discussed above, many Brokers do not memorialize their relationship with clients in broker agreements. Of those that do, the issues TLC and DCWP discovered in the agreements include:

- Brokers' disclosures of interests in a transfer are often difficult to distinguish from the other terms contained in the agreement;
- Fee provisions do not clearly articulate all of the services for which Brokers are charging clients and additional fees for services rendered by the Broker are sometimes provided in subsequent provisions of the agreement; and
- Broker agreements contained minimal Broker obligations, typically focusing on the obligations of the Broker's client.

In addition to these issues with written broker agreements, examining other documents Brokers provided, TLC and DCWP discovered:

⁹ This belief is based on information publicly reported, shared by drivers and uncovered through the review of submitted documents.

- Broker-provided closing statements provide minimal explanation of the terms of the agreement, loan provisions, and reasons for payments made by the Broker, providing little to no value for clients; and
- Documents were not provided in any language other than English, in an industry where over 95% of taxi drivers are immigrants.

3.2 Driver Outreach Events

For a driver's perspective on the services provided to them by Brokers, TLC's External Affairs Division organized driver outreach events in each borough. In addition to discussing their interactions with Brokers, TLC encouraged drivers to discuss all issues they currently face, including financial difficulties and stress. TLC targeted outreach to drivers who own a medallion and reside in the same borough as each event's location. Drivers residing outside of the City were invited to attend the Staten Island event. The outreach events were supported by staff from TLC's External Affairs Division, General Counsel's Office, and Driver Protection Unit, staff from DCA's Office of Financial Empowerment, staff from the Thrive mental health initiative, and detectives from the DOF's Sheriff's Office. In total, more than 60 drivers attended these events and met with staff from TLC, DCWP and/or DOF. Staff asked drivers if they purchased their medallion through a Broker. Most indicated that they had. Drivers were also asked if the Broker facilitated any other services for the driver. Answers to this question were mixed. Those that responded in the affirmative frequently stated their Broker provided the driver with insurance coverage or helped the driver find financing. When asked why they chose to use the Broker for these other services, drivers responded that it was convenient, that the Broker offered competitive rates, or that the Broker offered to waive their fees if the other services were used. In four instances, serious allegations were made against Brokers. Two allegations concerned a Broker requesting under-the-table payments. The third came from a driver who felt pressured by his Broker to purchase the medallion. The final complaint alleged a Broker did not accurately state the financial assistance made available by TLC to owners and drivers of wheelchair accessible taxis. These allegations have been forwarded to TLC's Prosecution Division for further investigation and appropriate enforcement action.

The majority of time with each driver was spent discussing the driver's financial struggles. All drivers reported they are struggling to cover their expenses, with loan payments typically between \$2,500 and \$4,000 each month. Nearly all drivers stated they need help seeking loan modifications. Three drivers stated their lender offered to write-off their loan balance in exchange for a one-time \$200,000 cash payment. Although in each case the one-time payment and subsequent write-off represented a significant savings compared to the total debt owed, the drivers did not have access to the necessary funds to accept the lender's offer. Numerous drivers indicated they were considering bankruptcy, with one driver having already filed for bankruptcy protection. Finally, five drivers stated their medallions had been repossessed by their lender.

Nearly all drivers in attendance met with OFE staff. During these discussions, drivers shared the same concerns they discussed with TLC. Additionally, drivers indicated they did not know how to negotiate for a loan modification. Some drivers had difficulty identifying their current lender because their medallion loan had been transferred several times. Other drivers were hesitant to

accept a loan modification that included a confession of judgment.¹⁰ As a result of these discussions, 42 drivers scheduled an appointment with OFE to receive financial counseling.

Drivers whose medallions had been repossessed or who knew of drivers whose medallions had been repossessed were encouraged to meet with detectives from the DOF Sheriff's Office to support its investigation into unlawful repossessions, discussed in section 3.4 below.

3.3 Owner/Driver Survey

TLC, DCWP and DOF created a 15-question survey aimed at better understanding the current financial situation of medallion owners as well as the services provided to them by Brokers. This survey was translated into the city's top 10 non-English languages. During the scope of the 45-day investigation, the survey was distributed to drivers who own their medallion.¹¹

To identify drivers who own their medallion, all medallions and their accompanying owners were pulled from TLC licensing records. This list was then matched to 2018 yellow taxi trip records to see if a driver of a taxi was also the owner of the taxi's medallion, or one of its owners. The list generated by this query consisted of 3,423 drivers. A link to an electronic version of the survey was emailed to all identified drivers and paper copies of the survey were made available at the outreach events discussed above.¹² In total, drivers took 266 electronic surveys and 47 paper surveys were completed at the outreach events, representing over a 9% response rate, which is in keeping with typical TLC survey results.

Among the drivers that responded to the survey, there was significant diversity in the length of time the drivers owned their medallions. Fourteen-percent indicated they owned their medallion for less than 5 years, 25% have owned their medallion between 5 and 10 years, 21% have owned their medallion between 11 and 15 years, 12% have owned their medallion between 16 and 20 years, and 28% have owned their medallion for more than 20 years.

Ninety-percent of drivers stated they used a Broker to purchase their medallion. Beyond negotiating the purchase of a medallion, drivers reported, as shown in Table 1 below, that Brokers were the most involved in facilitating lending and providing insurance.

¹⁰ Confessions of judgment greatly streamline a lender's ability to enforce a loan agreement by waiving a borrower's right to contest the validity or amount of the debt.

¹¹ TLC is drafting versions of the survey for passive medallion owners and fleet operators, which the agency plans to release in July 2019.

¹² TLC understands that it is possible that some drivers *could* have taken both the online and paper versions of the survey; however, TLC discouraged this practice and has no reason to believe there was a significant number of duplicate replies.

Table 1: Reported Additional Services Offered by Brokers

	# Respondents	% Respondents
Assistance negotiating loan for medallion purchase	126	32%
Offering insurance	92	24%
Assistance purchasing a vehicle	50	13%
Assistance negotiating loan refinance	48	12%
Direct lending to drivers	30	8%
None of the above	24	6%
Assistance negotiating a personal loan	21	5%

Although Brokers were heavily involved in helping their clients secure lending for the purchase of a medallion (“facilitating lending”), very few reported that their Broker helped them understand the terms of the loans, as shown in Table 2 below. Based on experience in creating outreach materials explaining new agency initiatives and regulations, TLC speculates that a significant cause of this lack of understanding is an absence of language access services offered by Brokers. Additionally, as discussed above, closing statements, which are intended to provide purchasers and sellers with a summary of the relevant details from the purchase agreement and any medallion loans, likely provide, in their current form, little value to drivers.

Table 2: Information Brokers Helped Drivers Understand

	# respondents	% respondents
Amount borrowed	91	55%
Monthly payments	87	53%
Interest rate	78	48%
Fees charged	65	40%
Time to pay off loan	64	39%
None of the above	33	20%

Drivers reported a median purchase price of \$340,000, with a total median debt owed today of nearly \$500,000. As is apparent in Table 3 below, the average medallion purchase price is nearly equivalent to the amount that was initially borrowed. However, the median amount currently owed is 48% greater than the original median medallion price. Of all surveyed drivers, only 35% report owe less today than they originally borrowed. These trends are likely heavily driven by refinancing, as 79% of respondents confirmed they had borrowed against the equity in their medallion for other purposes such as purchasing a family home (48%), buying a car (35%), or paying for college or education (17%).

Table 3: Comparing Medallion Purchase Price with Amount Borrowed and Loan Balance



Data provided by drivers indicated very little relationship between the number of years a driver has owned their medallion and their current loan balance. Medallion owners who have owned their medallion for a long period of time do not have smaller loan balances, as may be expected, but as previously stated, 79% of owners borrowed against the equity in their medallions and are still making payments towards those loans.

Nearly two-thirds of drivers reported their loans were issued by a credit union or by a credit union subsequently taken over by the NCUA. Almost a quarter of drivers reported their loans were issued by a consumer bank. Approximately 7% of drivers reported their loans were issued by Medallion Financial, a private lender heavily focused on taxi medallion loans. And approximately 3.5% of drivers reported their loans were issued by a lender owned in whole or in part by a Broker. Table 4 below lists the 10 lenders most frequently used by drivers responding to the survey. Melrose Credit Union, Signature Bank, and LOMTO Credit Union have the greatest market share amongst this group, collectively used by 53% of surveyed drivers. The lenders with the highest average reported loan payments and interest rates are highlighted in red. Melrose Credit Union, which financed loans for almost a third of the survey respondents, charges high monthly loan payments and the second highest interest rate, with an average of 4.5%. LOMTO Credit Union, which also has a significant market share, is reported to have an average interest rate of 4.6%. Bay Ridge Credit Union, with only a 3% market share, also reportedly charges higher-than-average monthly loan payments. These three credit unions – Melrose, LOMTO and Bay Ridge – are noteworthy as each was taken over by the NCUA and each were the subject of a recently-released NCUA audit which found, among other issues, unsound lending practices and an overconcentration in medallion loans.¹³ These findings support prior reports from drivers to TLC that credit unions taken over by the NCUA are often the least willing to work with borrowers struggling to afford their loans.

¹³ NCUA Office of Inspector General, *Material Loss Review of Melrose Credit Union, LOMTO Federal Credit Union, and Bay Ridge Federal Credit Union* (March 29, 2019), <https://www.ncua.gov/files/audit-reports/oig-material-loss-review-march-2019.pdf>.

Table 4: Average Reported Monthly Loan Payments and Interest Rates

	# respondents	% respondents	Monthly Loan Payment	Interest Rate
Melrose Credit Union	51	27%	\$ 2,865.98	4.5
Signature Bank	33	17%	\$ 2,442.29	3.6
LOMTO Credit Union	18	9%	\$ 2,774.15	4.6
Progressive	15	8%	\$ 2,404.60	3.5
Capital One	14	7%	\$ 3,246.33	4.4
Medallion Financial	13	7%	\$ 3,280.73	4.1
First Jersey Credit Union	10	5%	\$ 3,825.22	3.8
PNC Midland	7	4%	\$ 2,419.67	4.8
Bay Ridge Credit Union	6	3%	\$ 3,201.00	3.6
Mega Funding	5	3%	\$ 3,094.25	3.3

Asked to describe their current financial situation, 51% of drivers indicated they are struggling to pay their monthly bills and 26% said they are considering bankruptcy. Although lenders have indicated in meetings with TLC that they are now working with drivers to modify loans, only 15% of drivers reported that their lender has reduced their monthly payment or reduced the total debt owed. Analysis of survey suggests, as shown in Table 5 below, that Signature Bank, which is the second most used lender among surveyed drivers, may be working with drivers most frequently. Signature has the highest rate of respondents stating that the bank had worked favorably with them and has some of the lowest reported monthly payments and interest rates amongst the top 10 lenders (as per the previous table). Those institutions reported least likely to work with borrowers appear to be First Jersey Credit Union, Medallion Financial, Mega Funding, Progressive Credit Union, Capital One, LOMTO Credit Union and Melrose Credit Union.

Table 5: Drivers Reporting which Lenders have Reduced Monthly Payments or Loan Principals

	Yes	% Yes	No	% No
Signature Bank	11	39%	17	61%
PNC Midland	2	33%	4	67%
Bay Ridge Credit Union	1	20%	4	80%
Melrose Credit Union	4	9%	41	91%
LOMTO Credit Union	1	8%	12	92%
Capital One	1	8%	12	92%
Progressive	1	7%	14	93%
Medallion Financial	0	0%	12	100%
First Jersey Credit Union	0	0%	9	100%
Mega Funding	0	0%	4	100%

3.4 Sheriff Investigation

The Sheriff investigation began by focusing on various Supreme Court actions commenced by lending institutions for the recovery of a medallion from drivers who had fallen behind on their loan payments. In these actions, courts can direct a law enforcement official to seize the property in question. A review of multiple cases in the past several years revealed decisions that authorized

the Sheriff to seize taxi medallions and rate cards upon receipt of a court order. However, a review of agency records revealed no orders directing taxi medallion seizures were ever filed or delivered to the Sheriff, indicating these medallions were likely seized by an agent of the lending institution.

In the past four years the Sheriff has only one documented communication with one lender concerning taxi medallion repossession and the matter was ultimately never filed. With the high volume of medallion foreclosures, the lack of the Sheriff involvement seemed unusual.

Seizure of property may be made without law enforcement, but there are strict requirements concerning such actions. For example, these repossessions must be made peacefully, no force can be used, and in no instance may a civilian repossession agent pose as a law enforcement official. The Sheriff investigation focused on allegations of unlawful seizures published in the *New York Times* article. In support of this investigation, Sheriff detectives interviewed attorneys who represented owners in court and the owners themselves and attended multiple TLC outreach events and gathered information from owner/drivers in attendance.

Through its investigation, Sheriff detectives received allegations of use of force to break into vehicles, providing drivers with false notices of seizure, threatening drivers, impersonating a law enforcement officer, and instructing drivers to not contact TLC.

4. Key Findings

This investigation revealed drivers working with Brokers too often do not understand important aspects of the medallion transfer process. The agreements they enter into are unclear and the often-complex business relationships between Brokers and their affiliated businesses are not clearly described. There are a number of reasons for this lack of clarity, including Brokers' failure to provide their clients with written broker agreements. Broker agreements should be entered into by Brokers and clients for all Broker-facilitated transactions. These agreements must provide a full accounting of the fees to be charged, the services the Broker will provide, and the rights of the Broker's client in terms drivers will understand.

Even when Brokers provide agreements, they are often complex and confusing. Any interests a Broker has in the transaction must be plainly stated and reviewed by the Broker's client. Although drivers indicated they felt they had an option to use or not use the services offered by companies affiliated with a Broker, the interests and the option to decline the other services must be transparent to promote fairness and competitive prices.

Brokers' failure to provide complete and consistent closing statements to medallion buyers and sellers before closings is also a major cause of this lack of clarity. Closing statements must provide the fundamental terms to which the Broker's client is agreeing, and this information must be provided before their client completes a sale or purchase. Additionally, given the large number of purchases involving Broker-facilitated financing, these closing statements should include a plain language explanation of their client's loan agreement, including the total amount borrowed, total cost to pay off the loan, monthly payments and interest rates, the term of the loan agreement, and the amount of time required to pay off the loan. Brokers must provide this

necessary service for their clients to ensure they are fully aware of their obligations in their mortgage agreement.

The improvements discussed above are of no value if the largely-immigrant population of drivers cannot read or understand the information provided. Requirements concerning the content of Broker Agreements should be developed to ensure that critical information is provided to drivers in plain language. Disclosure of a Broker's interest in a transaction as well as medallion closing statements should be made on separate, standardized forms that require a Broker to share all relevant information. And these forms, along with disclosure of drivers' rights when working with Brokers, must be translated to languages other than English. The insufficient documentation combined with the absence of translations leaves too many clients dependent on verbal statements and assurances made by their Brokers.

Drivers lack a full and complete understanding of the complex business arrangements among businesses owned by Brokers or in which the Broker has a financial interest. As part of this 45-day review, TLC and DOF staff worked to identify any businesses providing services to TLC licensees that are owned by a Broker, or in which a Broker has a financial interest. Identifying these related businesses beyond TLC's jurisdiction required significant time and research that Brokers' clients cannot be reasonably expected to undertake. A Broker's interest in any transaction should be clearly provided in broker agreements and Brokers should be obligated to regularly file with TLC their interests in businesses serving TLC licensees and describing the services offered by these businesses. Additionally, clarification is needed as to what constitutes a Broker's interest in a business serving TLC licensees and what it means for a business to be affiliated with a Broker. Given that many of these businesses are family run, the obligation to disclose interests should apply broadly to companies owned by the Broker and by the Broker's family. TLC must review these disclosures for accuracy and approved disclosures should be made available for review by prospective Broker clients.

Although the use of a Broker's services is not required, most drivers use Brokers to purchase or sell a medallion. Brokers may offer their clients convenience and industry expertise, however their service comes at a significant cost. All prospective buyers and sellers should be aware that the use of a Broker is optional. For those drivers who choose to not hire a Broker, TLC should ensure a detailed, step-by-step plain-language guide is made available to assist them through the transfer process.

Additionally, TLC should increase and expand outreach to drivers who own medallions. Conversations with drivers at outreach events revealed many rely almost exclusively on their Broker for critical industry information. Too often the information drivers received was outdated or incomplete. Targeting this population with outreach on all relevant policy changes will better equip these drivers to operate more independently from their Broker, help them understand their rights, and educate them on how to contact TLC if they feel their rights have been violated.

This 45-day review has further demonstrated drivers' need for additional and more sophisticated financial advocacy to complement those services currently offered through OFE. Financial advocates could assist drivers as they negotiate for loan modifications by helping them identify their available financial options and advising them on which option best meets their needs. The

City must also continue to advocate on behalf of drivers for lenders and the NCUA to right-size loans to amounts that can be supported by a driver's income. The City must also continue to engage those state and federal banking regulators beyond the NCUA who oversee the banks and private lenders with large medallion loan portfolios.

The Sheriff investigation revealed problems concerning the seizure of taxi medallions and related property by extra-judicial methods. Instances include breaking into a driver's vehicle and serving the driver with a false notice of seizure, threatening a working driver and forcing the driver to get out of his taxi and turn over the vehicle's keys before serving him with a false notice of seizure, and breaking into an unoccupied taxi to seize a taxi medallion, rate card and meter, and later impersonating a NYC Marshal on various occasions when in contact with drivers. As a result of its investigation, the Sheriff arrested Anthony Medina on July 2, 2019 on four separate counts of Criminal Impersonation of a NYC Marshal. When effecting the arrest, Sheriff detectives found numerous medallions in Mr. Medina's possession. Sheriff detectives and TLC will contact the owners of these medallions to investigate the circumstances surrounding their repossessions.

5. Recommendations

5.1 Require defined Brokers' obligations and drivers' rights in Broker-facilitated transactions

TLC Rules should be amended to require broker agreements for all Broker-facilitated transactions, including medallion transfers and broker-negotiated financing or refinancing. TLC Rules should also be amended to require these agreements clearly define a Broker's obligations, including the duty to act in the best interest of their client, as well as their client's rights. All broker agreements will include a Broker's duty to account for all money and property of the client that is entrusted to the Broker. Additionally, Brokers would be prohibited from charging a fee for services rendered by the Broker in relation to the transaction beyond the specified dollar or percentage specified in the broker agreement. And in the event a Broker has an interest in the purchase or sale of a medallion, the Broker shall charge no commission for their services.

For agreements concerning the purchase or sale of a medallion, the required Broker obligations should also specifically include the duty to disclose all offers to purchase, as well as the duty to disclose any facts the broker knows that impact the value of the medallion. These medallion transfer broker agreements must also clearly state if the Broker is representing the buyer, seller, or both parties. If representing both parties, the Broker must specify the fee or amount of commission charged to the other party. And in the event a Broker initially intends to represent only one side but ultimately represents both sides of a medallion transfer, the Broker must amend the broker agreement to disclose this information but also to document that the parties have consented to the Broker representing additional parties to the transaction.

For agreements concerning the facilitation of lending to the Broker's client, the description of services provided by the Broker in the agreement should include the creation of a Broker-provided loan disclosure which clearly explains the material terms of the loan agreement provided by the lender. These loan disclosures will be made on a form created by TLC and will require the Broker to specify their client's obligations in any loan or refinance agreement. This

form will be translated by TLC into the City's top 10 non-English languages. Brokers must attach to these agreements any loan documents provided by the lender to the Broker as well as the loan disclosure prepared by the Broker for their client.

A Broker must attach to all broker agreements a separate Broker's interest disclosure form created by TLC, completed by the Broker, reviewed and signed by the Broker's client, and ultimately reviewed by TLC for accuracy prior to any medallion transfer. These forms will, as described in 5.3 below, clearly explain a Broker's interest in TLC licenses as well as interests in businesses which provide other services or products to TLC licensees. Material terms on these forms will be translated by TLC into the City's top 10 non-English languages.

A Broker must also attach to all broker agreements, a client rights document created by TLC. This attachment will summarize in plain language drivers' rights, including the ability to choose to use or not use services offered by a Broker as well as the right to contact their lender directly, the right to seek the advice and representation of counsel in dealings with lenders, a comprehensive list of Broker's duties when working with buyers and sellers, including the duty to act in the interest of their clients, and information on how drivers can file complaints with TLC against a Broker. As with the other TLC-created forms described above, this attachment will be translated by TLC into the City's top 10 non-English languages.

For all Broker-facilitated transactions, a copy of the broker agreement with all required attachments must be filed with TLC, either at the time of medallion transfer, or within 30 days after any broker-negotiated financing or refinancing.

5.2 Enhance Broker-provided summaries of purchase and loan agreements

TLC rules should also be amended to enhance summaries and disclosures of material purchase and loan agreement terms from Brokers to their Clients. For all medallion closings, a Broker must provide their clients and TLC with a copy of the closing statement. These statements must be prepared by the Broker and reviewed by the clients prior to the closing. For all Broker-facilitated loan and refinancing agreements, the Broker must complete a loan disclosure statement informing clients of their obligations in loan agreements. TLC will create standard forms that Brokers must use for closing statements and broker-facilitated loans, which will require Brokers provide all material terms to the purchase agreement and any loans used by a Broker's client. These material terms will include fees charged by the Broker to their client, fees received by the Broker by any third party in relation to the transaction as well as an explanation of the services the Broker rendered to receive these fees, and an explanation of their client's obligations in any loan agreements their client signed for the purchase of the medallion. The TLC-created statements will include translations into the City's top 10 non-English languages.

5.3 Provide clarity into Broker interests in TLC licenses and TLC-related businesses

The amendments to TLC Rules should require Brokers to submit an annual disclosure to TLC of all interests they have in any TLC license or TLC-associated business. The disclosure should include not only a list of these licenses and businesses, but should also specify the Broker's particular interest in each and, for TLC-associated businesses, the nature of the goods or services

provided. The duty to disclose an interest in any businesses not licensed by TLC should be expanded beyond an interest in lender, insurance broker or dealer to any business primarily serving TLC licensees or offering services or products tailored to TLC licensees or specifically targeting TLC licensees, including in any advertising. Additionally, the duty to disclose should also be expanded beyond a Broker's personal interest in any TLC license or TLC-associated business to include any such interest by a member of the Broker's family. TLC will be guided by NYC Conflicts of Interest Board rules, which require City employees disclose not only their personal interests but also interests of the following: "a spouse, child, grandchild, parent, sibling, and grandparent; a parent, domestic partner, child, or sibling of a spouse or domestic partner; and a spouse or domestic partner of a parent, child, or sibling."

In addition to the annual disclosure, Brokers should be required to update any changes to their interests in a TLC license or TLC-associated business within 30 days of such change. But at no point shall a Broker represent a client in any transaction if an updated disclosure has not been filed, reviewed and approved by TLC.

After receiving Brokers' disclosure of all relevant interests, TLC will review the information for completeness and accuracy. TLC will post approved disclosure statements on its website for review by drivers and prospective clients.

In addition to reviewing and approving these statements, TLC will use the information provided to create standard disclosure forms to be used by each Broker and attached to all broker agreements. These forms will explain in plain language each disclosed interest, will require the Broker to indicate which interests are affected by the transaction or affirmatively state the Broker has no interest in the transaction, and will provide for the Broker's and client's signatures. Material terms on these forms will be translated by TLC into the City's top 10 non-English languages.

5.4 Undertake regular auditing or Broker business practices

TLC will form a new Business Practices Accountability Unit ("BPAU") that will monitor and routinely audit the practices of TLC-licensed businesses. BPAU staff will be tasked with reviewing annual Broker disclosures for accuracy and completeness. Staff will also perform random investigations of Brokers' interests to ensure the disclosed interests on file with TLC remain accurate.

Prior to any medallion transfer, BPAU staff will review the broker agreement, Broker-provided closing statement and any loan disclosure statement for accuracy, completeness and compliance with TLC Rules. BPAU staff will also review all disclosure statements provided by a Broker to their client to ensure all necessary disclosures were made. No medallion transfers will be approved unless BPAU staff have reviewed and approved these documents.

Reviewing Broker-provided loan disclosure statements will also enable TLC to closely monitor lending facilitated by Brokers to ensure Brokers work in their clients' best interests in these negotiations. The BPAU's work will inform and complement the Driver Assistance Center's mission of fighting for loans and refinancing that are as favorable as possible for drivers.

The record retention requirement provided in TLC Rules should be increased from three years to 10 years to aid TLC in any future investigations. Unannounced place of business inspections should be carried out by TLC enforcement officers to confirm proper record retention and to investigate allegations of undisclosed TLC-related business operations.

TLC will create and maintain on the TLC website a list of all enforcement actions against Brokers.

5.5 Increase outreach and education to drivers who own medallions

TLC must work to expand information provided by the agency to drivers that own medallions. Information should include plain language guides, translated into the City's top 10 non-English languages, on the cost of purchasing, owning and operating a medallion and should be made available on the TLC website, similar to existing TLC-created materials made available to prospective taxi and for-hire vehicle drivers.

Since the use of a Broker is not required by TLC, the option to independently buy and sell a medallion should also be explained on the TLC website. This guide, translated into the City's top 10 non-English languages, should explain each step an individual must take to buy or sell a medallion.

TLC should also educate drivers who own medallions of their rights as well as inform them how to make a complaint. This information should include their rights when working with a Broker, information on predatory lending developed by TLC and DCWP, and information concerning illegal lender repossession practices developed by TLC and DOF.

5.6 Establish Driver Assistance Center

DCWP, TLC and our other agency partners will continue working expeditiously to set up the Driver Assistance Center announced by Mayor de Blasio. In addition to offering access to financial assistance and mental health resources, the center will expand on the services currently offered through OFE to provide needed direct advocacy with lenders. Credit/finance professionals would be available to analyze individuals' financial needs and then advocate for them with lenders including banks and credit unions to modify outstanding loans to make them more affordable, including reduced loan amounts and reduced monthly payments.