

Camille Pissarro, *The Boulevard Montmartre on a Winter Morning*, 1897,  
oil on canvas, 25 ½ x 32 in., The Metropolitan Museum of Art



# Fine and Decorative Arts As Collateral

American Society of Appraisers  
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Estate planning professionals often need unbiased appraisal reports from qualified appraisers for Fine and Decorative Arts-backed loans.<sup>1</sup>

As markets soar for high-end art, these assets have become serious sources for investment. Numerous specialty banks provide funding possibilities by using personal property such as art and luxury items as loan collateral. This new-fangled avenue of arts-lending has collectors, dealers, investors, and auction houses rethinking their strategies. Owners can borrow against their luxury items, high-end furniture or works of art to finance new purchases, take advantage of fresh opportunities, expand business ventures, refinance debt, diversify a portfolio, or increase the liquidity of their assets. Financial intermediaries have responded to this opportunity for asset-backed lending with enthusiasm.

# Personal Property Appraisers

Borrowing against art is a relatively easy and viable option for those who do not want to sell. Individuals may not want to part with a work, or may want to be discreet about their financial needs. Those experiencing a temporary disruption in income or other financial distress might find that selling is not optimal. The sale of art involves significant transaction costs and taxes, and federal long-term capital-gains tax on profit from the sale of art is currently at 28 percent. This rate is favorable for individuals with high incomes, but for individuals with less tax liability in a given year, and who belong to lower tax brackets, this rate can be financially burdensome. Adding state and local taxes could push a total tax bill of 40 percent or more on the gain, depending on the seller's state of residence.

Art loans are not new but the level of these loans has soared since 2009. Asset-backed loans are not just for the ultra high end of the market either. Many lenders will finance a loan or line of credit based on artists that have reasonable auction records. Financial providers have long been known to expand their services to include art collateral loans and not only for paintings and sculptures, but for furniture, high-end decorative arts and designer luxury items as well. Some banks offer specialized departments and staff that focus on these types of assets to assist clients.

Lenders differ from large banks to smaller specialists, as do the structures of the loans. Private banks with well-heeled clients can offer recourse loans in the tens of millions, depending on the value of the collateral and the borrower's financial status. Loans generally do not exceed 50 percent of the appraised value. The key word here is *appraised*.

The importance of a disinterested, fully accredited, third party appraisal by a qualified appraiser is critical. Estate professionals assisting their clients can help minimize risk by retaining a qualified appraiser for the valuation of personal property as collateral. ASA accredited appraisers will provide the risk-and-reward profile of the property. Lenders need written appraisal reports by highly qualified independent appraisers, and require re-appraisals annually to limit their concentration risk. These reports involve considerable expertise on attribution, condition, liquidity and demand, as well as an explanation as to how the work fits within nuances and rapid changes in the market.

Members accredited by the American Society of Appraisers have been extensively trained, tested and vetted in their specialty area. ASA's "Find An Appraiser" link provides quick search options to find the right appraiser for you. Simply search by location, discipline, or specialty. Visit [www.appraisers.org](http://www.appraisers.org) or call toll free (800) ASA-VALU (272-8258).



Armchair, Designed by Karl Friedrich Schinkel, Possibly made by Johann Christian Sewining or Karl Wanschaff, ca. 1828, gilded mountain ash with brass mounts and modern upholstery, 35 ½ x 24 ¼ x 23 ¼ in., The Metropolitan Museum of Art

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<sup>1</sup> For this article, "Decorative Arts" and "Fine Arts" includes, but is not limited to paintings, sculptures, watercolors, prints, works on paper, silver, ceramics, textiles, carpets, time arts, books and rare manuscripts, historical memorabilia, designer luxury items, armor, antiques and furniture, and other similar items