



Tax- and Transaction-Related News and Commentary from S.Crow Collateral Corp.

Tap, Tap, Tap: At 2 p.m. EDT Thursday, Bankers Nationwide Will Sing the REO Aria. Go Hear Your Banker!

Dear Dealburt: My colleagues and I at our bank have been singing the blues, because we hold a substantial amount of “REO”, as we insiders call the real estate which we have repossessed, and we can’t sell it in this market without booking a loss. Because we find it to be painful to have to acknowledge the loss that we all know is there—doing so would hurt our capital position to that extent—it’s easier to find reasons to wait and wait, in faint hope that a better offer will come along. And that may take years.

We’ve read in The Latest Installment about your C453 (“collateralized installment sale”) program’s price re-set feature, and we wonder: (1) Can your program work for REO? (2) Can we avoid booking a loss if we use a C453 with a price re-set feature?—Atta Loss

Dear Atta Boy: Yes, and Yes, but first we have to change your tune. We’re now going to cultivate your musical taste a little. I want you, your colleagues, and bankers across the nation to sing the REO Aria promptly at 2 p.m. EDT Thursday. That will get you into the right mindset and impress your customers. Anyway, a C453 works great for REO, and the price re-set feature can be specially structured for bank sales (differently from how it’s done for non-bank sales) in such a way that the bank will book the sale at a *future* predicted price rather than at the low, notional price at which the sale first occurs. You might call this, “mark to future market”. All right, now, let’s rehearse!—Dealburt



“REO” (“Real Estate Owned”), the Aria

(with apologies to Giuseppe Verdi and his opera, *Aida*)

*Cantabile.
con espress.*

F D I C, look from on high! Pi-ty these tears
hope-less - ly shed. R E O
pain, mys-tic and dread, Break thou my
bank, now let me sell! C 4 5 3!

Collateralized Installment Sales

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