



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

## Paul Bunyan Is Ready to Sell His Log Railroad. Can C453 Help His Buyer Get Financing?

**Dear Dealburt:** As you may have seen in my Web log, I've had my back-country log railroad (I call it "Monolog Railway") up for sale for more than a year. With the help of Babe the blue ox, I built this thing with my own hands and my own money. (No log rolling in Washington for me, thank you.) Now I've got an offer from Douglas Fir to buy the railroad. For some time he has been pining to be an engineer, so this is just right for him. He and his lender are at loggerheads, however, over the financing; the lender will lend only at a very low loan-to-value ratio. Douglas has explained that he doesn't have enough cash to buy if the loan amount is going to be so low, but the lender won't dialog with Douglas any further. Could your collateralized installment sale transaction break the log jam?—Paul Bunyan



He's a lumberjack, and he's okay.

**Dear Paul:** If you were to sell your railroad in a collateralized installment sale ("C453") transaction to a dealer who would simultaneously re-sell to Mr. Fir, with your consent his lender could be given a lien on the collateral account, which would consist of Mr. Fir's downpayment and the lender's loan to him. FDIC regulations explicitly allow banks to lend at a higher loan-to-value ratio if there is other marketable collateral for the loan. So, while the collateral account is earning a return for you, it can simultaneously enhance Mr. Fir's credit, so that he can get the loan he needs. Also, you may wonder why you shouldn't just "carry the paper" for Mr. Fir yourself. One of many reasons is that the dealer's role can dramatically help you in ways that you can't help yourself, such as allocation of the purchase price favorably to the tax positions of both of you. —Dealburt

## Collateralized Installment Sales

### Telephone

(208) 345-7561  
(866) 345-7561

### Address

Post Office Box 972  
Boise, Idaho 83701-0972

### Internet

SCrowCollateral@aol.com  
www.SCrowCollateral.com

### Copyright

S.Crow Collateral Corp.  
2009