

## ASSETS ON THE WALL

The rich are different from you and me. They own art. But when they want to borrow against it—say, to buy more art—most lenders balk. “Banks are scared to death to have anything to do with this asset class,” says David Kusin, president of Kusin & Co., a Dallas-based institutional research firm dedicated to the art economy. “But there are hundreds of billions of dollars in paintings hanging on the walls of the wealthiest Americans and Europeans.”

He told one large regional bank recently that its top 100 customers probably own \$200-\$800 million in paintings and fine decorative art. “If we were talking about oil reserves instead of oil paintings, would they be reluctant to consider those assets?”

Kusin started his firm recently to tackle exactly this problem by creating a meticulous analytic model for tracking the art market. “We apply the same economic and financial rigor to our analysis as bankers are used to seeing in any other asset class,” he says.

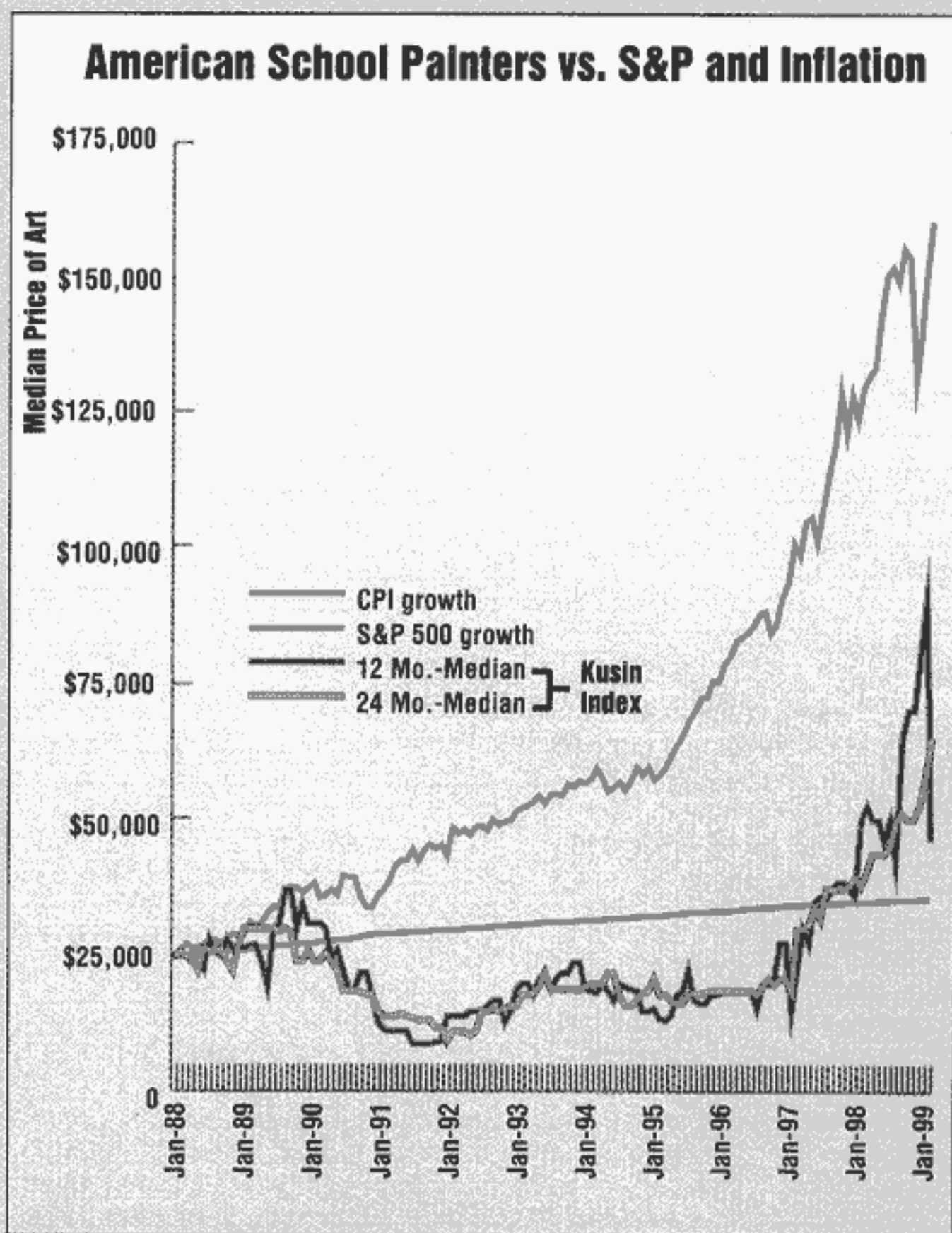
This fall, his firm released the Kusin Index™ of 19th Century American School Paintings. Not only does it track 11 years of prices at auction for works by 20 important painters active in the second half of the 1800s—Albert Bierstadt, Winslow Homer, Frederic Remington and James Whistler, among them—but it also accounts for whether works failed to sell. The index can be compared to commonly cited indexes, such as the S&P 500 or the Consumer Price Index (see graph). Next up will be a similar index of 18th Century furniture—specifically American, English and French case furniture and seating.

Kusin estimates that the art trade as a whole will generate about \$17 billion in revenues this year. “It’s essentially an unfinanced, cash-only business, with all of the attendant inefficiencies,” he says. That leaves plenty of untapped opportunities for banks.

At this point, only Citigroup and IBJ Whitehall have much truck in fine art, and only for their private banking clients. (Auction houses also make bridge loans to some customers.) Kusin believes financial institutions could build business in trusts

and estates, wealth management and commercial lending to art dealers if they had analytic tools they felt comfortable using.

But assessing the value of any particular antique or piece of art is only partly about the numbers. The other half of the equation, Kusin says, is connoisseurship. An art critic, educator and auction professional who was once an investment banker, he believes his firm marries art and finance. “We’re joining the right-hand part of the brain with the left-hand part of the brain,” he says. “We have resources few banks can or want to build in-house.”



## MARKETING CHALLENGE

As much as lenders promote home equity loans, few in the potential audience actually take them out. Data from Synergistics Research Corp. of Atlanta finds that only 3% of all potential borrowers have active lines, while 19%

no longer have them and 65% have no apparent interest. The company says its surveys show declining interest in home equity credit since 1992.

Source: SYNERGISTICS  
BASE= 700 homeowners

