

Art Capital sues Croman for backing out of fine art-backed loan

Lender alleges the now-jailed landlord refused to close, breached contract

By [Will Parker](#) | January 30, 2018 06:57PM



Steve Croman and 12-14 East 72nd Street (Credit: Google Maps)

Art Capital, a financial firm specializing in art-backed loans, is suing jailed landlord Steve Croman and his wife Harriet for allegedly backing out of a \$50 million loan Croman sought following his guilty plea to mortgage and tax fraud charges in June.

According to the complaint, Croman signed a term sheet for a \$50 million loan backed by his Upper East Side Mansion and 38 pieces of fine art. The term sheet included exclusivity and payment of expenses provisions and the Cromans wired a \$50,000 deposit, the suit says. Croman sought the loan, according to Art Capital's filing, because he needed to pay off debt to New York Community Bank and CitiBank, who are named defendants in the suit.

But [Croman](#) never closed on the loan and wanted different terms, the suit states. One of his attorneys, Andrew Albstein, informed Art Capital earlier this month, with Croman [now in jail](#), that they would not be pursuing the loan anymore and that they had retained "Meridian Group" to find debt opportunities elsewhere. Art Capital said this stance put Croman in breach of contract and that he additionally owed \$1.7 million in costs related to loan due diligence work, as required by the term sheet.

In December, New York Attorney General Eric Schneiderman [announced an \\$8 million settlement](#) owed by Croman in connection with a separate tenant harassment case against him, a development that had factored into the loan talks with Art Capital, according to the court complaint, because it complicated the matter as to whether Art Capital has the first-priority lien on Croman's art and home.

Benjamin Brafman, an attorney for Croman, did not immediately respond to a request for comment. Nor did Albstein, Croman's real estate attorney. Art Capital's attorney, Francis Majorie, also did not

immediately respond to a request.

Art Capital, which claims to have issued more than \$5 billion in art-backed loans, is demanding more than \$3 million in fees and expenses, as well as more than \$9 million in additional damages stemming from the alleged breach of contract, plus damages to be determined by trial. The company also asked the court to declare that it has a forecloseable interest in Croman's property, second only to the claims of CitiBank and NYCB.

Croman owns more than 140 buildings in Manhattan, many of which will be run by an independent monitor for five years.

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