

The Wall Street Journal
Goldman to Provide Funds to CIT Group
Financing \$3 Billion Eases Credit Woes; 'Good Step' Forward
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CIT Group Inc., the subprime-battered commercial lender, reached a deal with Goldman Sachs Group Inc. to provide it with \$3 billion in long-term financing.

The deal provides funding to CIT to finance both existing assets and originate new loans. CIT relies on its ability to raise money in the capital markets to make loans. That ability was imperiled when, as a result of the credit crunch, its access to funding vanished, forcing it to tap a \$7.3 billion credit line.

Investors were relieved, at one point sending CIT stock up more than 11%, although some analysts suggested the company wasn't yet entirely in the clear. Amid a broader selloff in financial stocks, the rally faded and CIT shares were up 29 cents, or 3.2%, at \$9.48 in 4 p.m. New York Stock Exchange composite trading.

"We view this transaction as another important milestone in achieving our desired financing profile," CIT Chairman and Chief Executive Officer Jeffrey Peek said in a statement.

The New York company has taken other steps to shore up its finances, such as raising \$1.6 billion in new capital, retiring approximately \$5 billion in debt and selling more than \$2 billion of assets.

Analysts say the deal, while somewhat expensive for CIT because of current market conditions, is a step forward in building liquidity.

"They get leverage from just having something in place from a well-established brand name" Wall Street firm like Goldman, says Richard Hofmann, an analyst at CreditSights Inc., an independent research firm.

Moody's Investors Service Inc. Vice President Mark Wasden called the Goldman deal a "good step" but said Moody's Baa1 rating remained unconfirmed and could still be downgraded, if the company is unable to unload home-mortgage risk it still has on its books. CIT suffered a blow last month when Moody's cut its rating from A3 to Baa1.