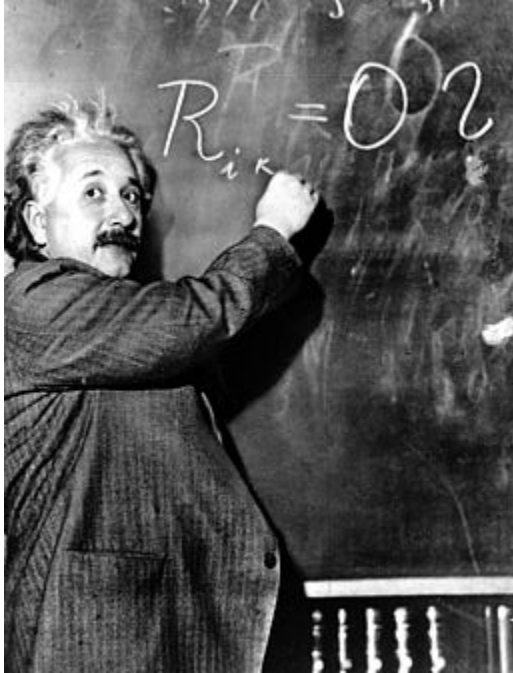


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## How to Handle a Credit Crisis: Three Lessons From CIT

Posted by Heidi N. Moore

CIT, a middle-market lender not known for its fireworks, today [won the confidence of investors](#) with a well-timed asset sale. Here is how CIT separated itself from the crowd of troubled financial institutions:



Associated Press

**Distance yourself from those things giving investors heartburn in the first place:** CIT today stepped away from the housing market. It agreed to sell its home-lending business to Lone Star Funds for \$1.5 billion plus the assumption of \$4.4 billion of debt. CIT also said it would sell its manufactured-housing portfolio to Vanderbilt Mortgage & Finance for \$300 million. Fitch Ratings today said it viewed the moves “positively,” which bodes well for the credit ratings that CIT depends on for its businesses. CIT CEO Jeffrey Peek played up that aspect of the moves in his statement announcing the deals: “These sales complete our exit from all home-lending business, removing the uncertainty surrounding this asset class and advances our strategic transformation into a company focused entirely on commercial finance.”

**Get a big name behind you:** Goldman Sachs Group offered to provide CIT [with a \\$3 billion, 20-year lending facility](#) that came with some rough strings attached. Goldman, for instance, protected itself against any trouble at the lender by arranging a provision that would give Goldman the right to lay claim to loads of collateral at CIT. But the lending facility provided CIT with much-needed capital and showed that Goldman was willing to lend its rock-solid reputation to CIT. Bear Stearns [didn't have those kinds of friends](#).

**Don't rest on your capital-raising laurels:** CIT has more than \$60 billion in securities exposed to the market. Rather than just trying to convince investors that a \$3 billion loan facility was enough, the lender went on to sell assets and raise even more

cash. It showed that CIT took its capital concerns seriously and wasn't just looking for a Band-Aid.