



## **CIT, Major IT Financier, Files Chapter 11**

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[CIT Group](#), a leading provider of leasing and financing services, [filed for Chapter 11 bankruptcy protection](#) on Sunday, November 1, 2009. The filing is one of the biggest in U.S. corporate history. CIT's bankruptcy filing shows \$71 billion in finance and leasing assets against total debt of \$64.9 billion. The company has been struggling for some months as a consequence of its exposure to both consumer mortgages and student loans amidst a capital markets liquidity crisis. CIT had previously received some \$2.3 billion under the U.S. Treasury Department's Troubled Asset Relief Program (TARP). For the past several months, CIT has regularly been in the financial headlines as it struggled to restructure, secure funding and continue operations.

In the IT world, CIT has been a leading provider of sales financing programs for technology providers. While both HP and IBM have comprehensive financing units within their corporate umbrellas, other providers have taken a more hybridized approach. Companies such as Avaya, Cisco, Dell, Lenovo, Microsoft and Sun Microsystems, to name a few, rely upon external providers to deliver aspects of their inventory financing and customer leasing programs from companies such as CIT, De Lage Landen (DLL) or GE Capital. Given the relatively small size of the independent financier market, when one of the major providers stumbles, the consequences are significant.

CIT, like most large enterprises, is comprised of many business units. Some of those business units, such as consumer mortgages and student loans, have been directly and sharply impacted. Other business units such as CIT's Vendor Finance business have been affected by the economic slowdown, higher capital costs and reputational impact, which caused some technology companies to switch their business to other financing providers as the company has struggled.

When considering CIT's situation, it is important to remember that the company's Vendor Finance business, which currently operates in over 30 countries, may be one of its most valuable assets. Virtually every technology provider strives to deliver financing programs, along with their products and services, globally. Over [90% of worldwide IT spending occurs in 25 countries across the world](#) — countries that map closely to the 30 countries CIT currently operates in. The difficulty and desirability of delivering financing programs across multiple countries should not be underestimated.

CIT's Vendor Finance unit is one of the few players in a very competitive and complex business. Regardless of what happens with CIT, the corporate entity, this business unit is a unique and valuable property. IDC expects this business unit to survive the company's current travails and remain an important player in the \$100 billion IT leasing and financing industry. CIT's challenge is to source affordable capital for this business — the oxygen necessary to sustain it.

Unfortunately, the world's financial services industry remains stressed. For IT technology providers that built hybridized IT leasing and financing programs, the market will remain volatile and additional changes are likely. For IT organizations leasing or financing technology resources, IDC continues to recommend careful monitoring of providers as a measure of additional caution.

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