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Goldman agrees \$3bn financing facility for CIT

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By Julie MacIntosh in New York

Goldman Sachs has agreed to provide CIT Group with \$3bn in financing, a move that marks the first step in what could grow into a more substantial partnership.

CIT, a commercial and consumer finance company whose businesses depend on its ability to win short-term financing, nearly suffocated from lack of access to funding back in March. It drew down \$7.3bn in emergency lines of credit and pledged to sell off assets to meet funding requirements.

The company will use its new, 20-year facility to finance existing assets and originate commercial loans and leases. The facility, which CIT Financial and Goldman agreed on Friday, will be based on securities backed by CIT assets. Those could include commercial and student loans, equipment contracts and rail or aircraft leases, but will not include home mortgage loans, CIT said in a regulatory filing.

CIT picked Goldman over other potential partners partly because Goldman will let CIT choose, within certain limits, the assets it will use as collateral, according to a person with knowledge of the agreement. The tie-up will help CIT reduce its reliance on the shrunken unsecured debt markets.

CIT is in early-stage talks with Goldman over other options and investment vehicles that could help shore up its business, people close to the companies said. Jeffrey Peek, the company's chairman and chief executive, said in a press release that CIT and Goldman could strike up "additional initiatives". Shares of CIT rallied 4 per cent in afternoon trading yesterday.

CIT said it has raised \$1.6bn in new capital, retired \$5bn in debt and completed financings of about \$1.5bn since April 1. The company has sold more than \$2bn of assets at roughly book value over the past two months and has others on the auction block, including its CIT Rail business, which could be worth roughly \$3bn.

CIT will pay Goldman a 2.85 per cent annual fee on the facility's maximum amount, up to \$85.5m per year, in addition to the Libor-based rate it pays on financing used. The facility's asset-backed portfolio will be marked to market daily.