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May 12, 2015

CONFIDENTIAL TREATMENT REQUEST

Federal Reserve Bank of New York,
33 Liberty Street,
New York, New York 10045.

Attention: Ivan J. Hurwitz
Vice President, Bank Applications

Re: CIT Group Inc. Proposed Acquisition of IMB Holdco LLC – Response to Request for Additional Information

Ladies and Gentlemen:

On behalf of our clients, CIT Group Inc. and Carbon Merger Sub LLC (together, the "Applicants"), enclosed please find a response, prepared by the Applicants, to the email, dated May 1, 2015, from the Board of Governors of the Federal Reserve System (the "Board") requesting additional information with respect to the Applicants' application, dated August 20, 2014, to the Board in connection with the Applicants' proposed acquisition of IMB Holdco LLC and certain related transactions (the "Application").

We have also enclosed the confidential exhibit to the response in two separate volumes: (i) an unredacted, confidential version of the confidential exhibit, which has been marked "Confidential Treatment Requested" (the "Confidential Materials") and (ii) a public, redacted version of the confidential exhibit, which has been marked "Public Redacted Version".

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, and the regulations of the Board, 12 C.F.R. Part 261, we hereby respectfully request on behalf of the Applicants that the Confidential Materials be treated confidentially and not be made available for public inspection or copying.* The Confidential Materials constitute

* Under 5 U.S.C. § 552(b)(4), information that a private party has provided to a government agency is exempt from disclosure if it consists of "trade secrets and commercial or financial information obtained from a person and privileged or confidential." Accord 12 C.F.R. § 261.14(a)(4). It is well established that this exemption protects confidential trade secrets and commercial and financial information from disclosure if such disclosure would be

nonpublic commercial or financial information that is privileged or confidential within the meaning of Section 261.14(a)(4) of the Board's regulations or information that is otherwise exempt from disclosure under Section 261.14(a) of the Board's regulations, the disclosure of which would cause significant harm to the Applicants and their respective affiliates.

At this time, the Confidential Materials will not be publicly disclosed and are not required to be publicly disclosed. Disclosure of this information would reveal to competitors the internal strategies, future plans and competitive position of the Applicants and would place the Applicants at a competitive disadvantage with respect to their competitors who do not publicly reveal such information. For these reasons, the Applicants believe that the Confidential Materials are privileged or confidential within the meaning of 12 C.F.R. § 261.14(a)(4).

In addition, we request, pursuant to the Freedom of Information Act and the applicable Board regulations and for reasons including those set forth above, that any memoranda, notes or other writings of any kind whatsoever made by an employee, agent or any person under the control of the Board (or any other governmental agency) that incorporate, include or relate to any of the matters referred to in the Confidential Materials (i) furnished by the Applicants or their respective employees or agents to the Board (or any other governmental agency) or (ii) referred to in any conference, meeting, telephone conversation or interview between (a) employees, former employees, representatives, agents or counsel of the Applicants or their subsidiaries and (b) employees, agents or any persons under the control of the Board, be maintained in confidence, not be made part of any public record and not be disclosed to any person.

We also request that, if the Board should make a preliminary determination not to comply with the foregoing requests for confidential treatment, the Applicants be given notice thereof in ample time to permit the Applicants to make an appropriate submission as to why such information should be preserved in confidence. If any of the Confidential Materials, or any of such memoranda, notes or writings, is the subject of a Freedom of Information Act request or a request or demand for disclosure by any governmental agency, Congressional office or committee, court or grand jury, we request, pursuant to the Board's regulations, that you notify the Applicants prior to making such disclosure. We further ask that the Applicants be furnished with a copy of all written materials pertaining to such request (including but not limited to the request itself and any determination with respect to such request) and that the Applicants be given sufficient advance notice of any intended release so that it may, if deemed necessary or appropriate, pursue any available remedies.

*   *   *

"likely . . . to cause substantial harm to the competitive position of the person from whom the information was obtained." National Parks & Conservation Ass'n v. Kleppe, 547 F.2d 673, 677-78 (D.C. Cir. 1976). To establish such an exemption, the person seeking such an exemption need not show certainty of competitive harm, but only a likelihood that such harm may occur. See Gulf & Western Indus. v. United States, 615 F.2d 527, 530 (D.C. Cir. 1979).

If you have any questions with respect to any of the matters discussed in this letter or in the materials included herewith, please feel free to contact me at (212) 558-4998 (salleys@sullcrom.com).

Sincerely,

Stephen M. Salley

(Enclosures)

cc: Philip Bae
(Federal Reserve Bank of New York)

Adam Cohen
Andrew Hartlage
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(Board of Governors of the Federal Reserve System)

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(Federal Reserve Bank of San Francisco)

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Joseph Otting
(IMB Holdco LLC)

H. Rodgin Cohen
Camille L. Orme
(Sullivan & Cromwell LLP)

Commenters Listed on Schedule A (Public Version Only)

Schedule A

Commenters

Inner City Press/Fair Finance Watch
California Resources And Training
Anewamerica Community Corporation
Housing And Economic Rights Advocates
Renaissance Entrepreneurship Center
Strategic Actions For A Just Economy
Neighborhood Housing Services Of The Inland Empire
East LA Community Corporation
Community Legal Services In East Palo Alto
Neighborhood Housing Services Silicon Valley
National Community Reinvestment Coalition
Pacific Asian Consortium In Employment
Valley Economic Development Council
San Fernando Valley Small Business Development Corporation
Affordable Housing Clearinghouse
Housing Rights Center
Korean Churches For Community Development
California Reinvestment Coalition
Fair Housing Of Marin
Los Angeles LDC, Inc.
Consumers Union
Mission Economic Development Agency
Alliance Of Californians For Community Empowerment
National Housing Law Project
California Housing Partnership Corporation
Neighborhood Legal Services Of Los Angeles County
The Greenlining Institute
Asian Pacific Islander Small Business Program
CDC Small Business Finance
Sandy Jolley
Fair Housing Council Of The San Fernando Valley
Pathstone
East Bay Housing Organizations
Vermont Slauson Economic Development Corporation
Sacramento Housing Alliance
Advocates For Neighbors, Inc.
Neighborworks Orange County
Opportunity Fund
Multicultural Real Estate Alliance For Urban Change
Law Foundation Of Silicon Valley
Urban Strategies Council
Consumer Action
Neighborhood Housing Services Of Los Angeles County
Communities Actively Living Independent & Free

Black Business Association
Asian, Inc.
Asian Pacific Policy & Planning Council
Housing Leadership Council Of San Mateo County
Public Interest Law Project
Helen Kelly
Montebello Housing Development Corporation
East Palo Alto Community Alliance And Neighborhood Development Organization
California Coalition For Rural Housing
Community Housingworks
Teena Colebrook
Tod Lindner
Community Action Agency Of Butte County, Inc.
Orange County Community Housing Corporation
Carol Sheppard
Diane Bucy
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Bert Thompson
Lisa Marshall
Karen Nierhake
Mike Healey
Rebecca Boyle
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Los Angeles Latino Chamber Of Commerce
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Christian Ison
Caitlin Ison

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Ceciljohn Tantay
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Loutete Pamintuans
Darryl Pikoos
Marden De Castro
Dennis De Castro
Marivick De Castro
Darwin De Castro
Daughlet Ordinario
Margarita Dauz
David Lac
David Misko
David Phelps
David Drake
David Schachter
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Dewey Belisario
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Deanna Mcginity
Deborah Ewing
Desirre Gatus
Dennis Belli
Deanna Smaldino
Estrella De Guzman
Gloria De Haan
Virgilio De Joya
Ariel De La Cruz
Isabeki Dela Cuadra
Danelle Gordon
Delite Vogley
Maria Dellatorre
Dan Khatchaturian
Fideliza Valdez
Randy Cruz
Denis Dulos
Denise Hunter

Dennis Reyes
Derlie Andes
Detdet Gatus
Desiree Gatus
Deiree Gatus
Lourdes White
Vimal Dhawan
Madonna Hormigas
Valentine Dickerson
Digna Donato
Dinaflor Palad
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Anthony Dizon
Marjolaine Dizon
Dean Jubas
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Katherine Pangilinan
David Manser
David Menchaca
Eugene Au
Edralin Cruz
Raymond Cruz
Diosdado Tupaz
Stefan Dold
Dolprema De Sahagun
Dolores Lavares
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Donovan Perkins
Teodora Siron
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Dyane Wilson

Debbie Zimmerman
Eleanor High
Earl Gaviola
Ej Canlas
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Salt Lake Valley Habitat For Humanity
Edward Colton
Edgardo Nais
Edward Goldberg
Intal Edna
Edna Tayag
Edmon Reyes
Edward Gaviola
Edwin Fernandez
Edwin Gaviola
Eddie Esteban
Erlito Ann
Efren De Guzman
Efren Boc
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Edgardo Almalveza
Emilie Hunter
Ej Pagakos
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Cyril Encanillas
Elena Polanco
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Elenor Sabater
Eleanor Cantimbuhan
Eleonore Damasco
Eleza Nooris
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Ellen Fawer
Ellen Wilner
Ellyne Ramos
Elmer Castro
Ello Tanciongco
Elmer Pascua
Eileen Rockey
Elvis Zuleta
Emerson Marasigan
Emerita Cruz
Emily Kroll
Ennylou Slaga

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Ramiro Enriquez
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Edith Pabalate
Lope Paa
Eric Swenson
Erika Beltran
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Ditas Favis
Ermin Favis
Ernie Bautista
Erin Rothfuss
Ethel Mendoza
Ervin Caliboso
Erwin Ringor
Esperanza Samilin
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Alfredo Flores
Florette Arcenas
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Isis Mempin
Johanne Cabading
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Ivan De Guzman
Ivette Oxcena
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Zenaida Bungay Wijangco
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Mark Waterson
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National Diversity Coalition
Dalen Bogue
Seventeen Minority Coalition Leaders
Valley Economic Development Corporation
Vermont Slauson
Communities Actively Living Independent and Free
Advocates for Neighbors, Inc.
ASIAN, Inc.
Community Action Agency of Butte County, Inc.
Gary Maxfield
Jim Dill
Tim Allen
Helen Kelley
Cristina Clifford
Timothy and Kimberly Davis
Jose Vilavicencio
Don Corriea
Hope Hall
Rebecca Isaac
Marie Cresta

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Sean Patrick
Geoggrey Stilwell
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Ira Dember
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James Steffans
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Al Pina

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John Taylor
Ben Jefferson
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Robert Yale

RESPONSES TO THE REQUEST FOR ADDITIONAL INFORMATION

DATED MAY 1, 2015

FROM THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

IN CONNECTION WITH THE

APPLICATION

TO THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RELATING TO THE PROPOSED ACQUISITION OF

IMB HOLDCO LLC

BY

CIT GROUP INC.

AND

CARBON MERGER SUB LLC

May 12, 2015

Responses to the Request for Additional Information, dated May 1, 2015, from the Board of Governors of the Federal Reserve System[1]

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1. **A number of commenters raised concerns about the financial stability aspects of the proposal. To the extent not previously provided, please directly address the allegation that, given the organization's interconnectedness to the economy and other financial institutions, the proposed merger would produce a systemically significant financial institution and would increase risk to financial stability. In addition, your response should address the following specific issues raised by commenters:**

    a. **CIT filed for bankruptcy in 2008 precisely because it was too interconnected to the economy and with other players in the national and international community;**

    b. **CIT's level of interconnectedness likely complicated bankruptcy procedures and has not changed since CIT emerged from bankruptcy;**

    c. **CIT's interconnectedness underscores its systemic importance and the risk it would pose if it failed;**

    d. **CIT has recognized that it is systemically important and its failure would harm the economy as evidenced by CIT's statements made in connection with seeking additional disbursal of TARP funds;**

    e. **Independent reviews, like a GAO study entitled "Complex Financial Institutions and International Coordination Poses Challenges," recognized CIT as an example of a complex financial institution with attributes such as highly liquid sources of funding, uses of derivatives, and a complex legal structure that may complicate bankruptcy procedures; and**

    f. **CIT's consummation of the proposed merger, without addressing CIT's interconnectedness, would be "reckless."**

The Applicants submit that the detailed business and financial information and analysis provided to the Board demonstrate, in contrast to certain commenters' generalized and unsubstantiated assertions, that the combined organization that would result from the Transaction would not "produce a systemically significant financial institution" and would not "increase risk to financial stability" (the "Financial Stability Factor").[2] Any possible doubt is seemingly eliminated

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1 Capitalized terms used but not defined herein shall have the meanings set forth in the Application to the Board of Governors of the Federal Reserve System, dated August 20, 2014, relating to the proposed acquisition of IMB Holdco LLC by CIT Group Inc. and Carbon Merger Sub LLC.

2 Although $50 billion in total consolidated assets is the Dodd-Frank Act threshold for becoming subject to that Act's Section 165 enhanced prudential standards, the Applicants note that in the four instances in which the Financial Stability Oversight Council has determined that material financial distress at a nonbank financial firm could pose a threat to U.S. financial stability, those institutions' assets exceeded the combined assets of CIT and OneWest by more than 700%. The Applicants also believe that these commenters' assertions regarding the

by the Board's own thorough analysis of the Financial Stability Factor in multiple prior applications.[3] The resultant institutions in those applications were far larger and more interconnected than the combined company would be here.

As a result of the Transaction, CIT's total consolidated assets will increase from approximately $44 billion to $67 billion. The combined organization, while somewhat larger in size,[4] would be smaller than approximately 32 other U.S. bank holding companies and 19 U.S. insurance companies that are not bank holding companies. The size of the combined institution would be less than one-third the size of 26 of those financial services companies. Moreover, it would not be more complex or interconnected such that the distress or disorderly failure of the combined organization would be likely to cause significant disruption to the wider financial system. To the contrary, for the reasons discussed in the Application record and below, the Applicants believe that the Transaction would actually *reduce* both institutions' overall risk profiles, resulting in a more resilient, diversified and stable organization that is better able to withstand financial and other stress. Such a result has a positive effect on the stability of the U.S. banking or financial system ("USFS").

Although surpassing the $50 billion in total consolidated assets threshold will be an important regulatory milestone for CIT, the event obviously is not a determinative test under Section 3 of the BHC Act. Further, the enhanced prudential framework to which CIT would become subject as a result of crossing this threshold will trigger certain requirements that are designed to enhance the stability and resolvability of CIT following the Transaction.

In considering the Application, under Section 3(c)(7) of the BHC Act, "the Board shall take into consideration the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system." As demonstrated in the Application, the Transaction simply would not result in any material impact on the stability of the USFS. The Transaction adds scale, funding stability and efficiency to CIT's business, and, given the relative simplicity of OneWest's business (historical mortgage servicing and lending funded by retail branch deposits), it does not result in any measurable "greater or more concentrated risks" to the stability of the USFS, nor does it materially increase the likelihood that the failure of CIT would impair financial intermediation or financial market functioning so as to inflict material damage to the broader economy. To the contrary, the

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Financial Stability Factor should be accorded little, if any, weight, in view of the absence of any substantiation. They are based on claims as to CIT's "interconnectedness" but provide absolutely no data in support of the claim.

[3] See, e.g., Board Order Approving Capital One Financial Corporation's acquisition of ING Direct fsb (February 14, 2012); Board Order Approving Acquisition of a State Member Bank, PNC Bancorp, Inc. (December 23, 2011) (together, the "Capital One-ING and PNC-RBC Orders").

[4] We note, in this regard, Board Governor Tarullo's support for raising the $50 billion threshold at which bank holding companies become subject to the Dodd-Frank Act's enhanced prudential standards and other requirements. Daniel K. Tarullo, Rethinking the Aims of Prudential Regulation, May 8, 2014, available at http://www.federalreserve.gov/newsevents/speech/tarullo20140508a.htm ("The key question is whether $50 billion is the right line to have drawn. Experience to date suggests to me, at least, that the line might better be drawn at a higher asset level--$100 billion, perhaps.").

Applicants believe that the Transaction will in fact decrease risks to the stability of the USFS by creating an institution that is more diversified, with a more stable funding profile and enhanced earnings and capital generating capacity, and that, therefore, is more resilient to financial stress.

Section V(D) of the Application discusses each of the five quantitative factors that the Board has considered in evaluating the effects on financial stability, namely, (1) the size of the resulting firm; (2) availability of substitute providers for any critical products and services offered by the resulting firm; (3) interconnectedness of the resulting firm with the banking or financial system; (4) the extent to which the resulting firm contributes to the complexity of the financial system; and (5) the extent of the cross-border activities of the resulting firm. The analysis and supporting data in the Application, and the additional information provided to the Board in the Applicants' response, dated December 23, 2014 to the Board's request for additional information, dated November 24, 2014 (the "December 23rd Response"), demonstrate that, compared to other U.S. financial institutions, CIT's overall footprint in, and its degree of interconnectedness to, the financial system and financial markets is minimal today, and will remain so following the Transaction.[5]

Nonetheless, certain commenters have alleged, without any foundation or specificity, that CIT's interconnectedness poses significant systemic risk. In contrast, the Applicants previously have provided in the Application and in the December 23rd Response a detailed discussion of, and data demonstrating, the very limited degree of each of CIT's and OneWest's interconnectedness to other financial institutions and markets within the USFS. As described in these materials and below, analysis of the six indicia of interconnectedness drawn from the Board's financial stability analyses in recent transactions (wholesale funding use, exposures to a single counterparty, intra-financial system assets, intra-financial system liabilities, outstanding securities and derivatives use) demonstrates the absence of any meaningful level of interconnectedness.[6]

First, the combined organization would have wholesale funding that would constitute an insignificant amount of wholesale funding usage in the United States. As a result of the Transaction, CIT's wholesale funding as a percent of its total funding would decrease from 54% to 42%. Second, the Transaction would not result in significant exposures to any single counterparty. Notably, there is no overlap among the CIT's and OneWest's three largest counterparties. Third, neither CIT nor OneWest has a significant amount of intra-financial system assets.[7] As of December 31, 2014, on a combined basis OneWest and CIT had only $10.2 billion in funds deposited with other financial institutions, $2.0 billion in funds lent to other financial

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5 The Board has also noted, in evaluating the Financial Stability Factor, that it has considered "the relative degree of difficulty of resolving the combined firm." (PNC-RBC Order, p. 11). As discussed below, CIT's bankruptcy has been considered orderly, and the combined organization is not more complex or opaque than CIT is today in any meaningful way.

6 See the Capital One-ING and PNC-RBC Orders.

7 Consisting of funds deposited with or lent to other financial institutions, the holding of securities issued by other financial institutions, net positive exposure to securities lending to other financial institutions and net positive exposure of over-the-counter derivatives with financial institutions.

institutions, held \$1.6 billion in securities issued by other financial institutions, had no net positive exposure to securities financing transactions with other financial institutions, had no net positive exposure to securities lending to other financial institutions and had only \$17 million of net positive exposure in over-the-counter derivatives outstanding with other financial institutions (combined, well under 1% of total intra-financial system assets reported on Form FR Y-15 as of December 31, 2014). Fourth, neither OneWest nor CIT has a significant amount of intra-financial system liabilities.[8] As of December 31, 2014, on a combined basis OneWest and CIT held \$1.5 billion in deposits from other financial institutions, had \$25 million net negative exposure of securities financing transactions with other financial institutions and had only \$42 million of net negative exposure in over-the-counter derivatives with other financial institutions (combined, well under 0.1% of total intra-financial system liabilities reported on Form FR Y-15 as of December 31, 2014). Fifth, as of December 31, 2014, on a combined basis CIT and OneWest had only \$50.4 billion in securities outstanding (consisting of secured debt securities, subordinated debt securities, commercial paper, certificates of deposit, common equity and preferred shares and other forms of subordinated funding). Sixth, CIT and OneWest engage in minimal derivatives activities and the derivatives activities of CIT and OneWest are primarily used to hedge various types of risk, such as interest rate risk, and are not intended for speculative investment.

In addition, as described in the December 23rd Response, CIT's existing presence in certain financial markets and products is, in almost all cases, minimal, or de minimis, and, other than the addition of OneWest's mortgage servicing operations, an activity in which CIT does not engage, the Transaction will not add to CIT's presence in these markets in any meaningful way.

One commenter also stated that a Government Accountability Office study (the "GAO Study")[9] "used CIT as an example" of an institution whose bankruptcy was complicated by its complexity.[10] In fact, the GAO Study incorporated an in-depth case study of each of the CIT, Lehman Brothers and Washington Mutual bankruptcies and explained that the selection of these three bankruptcies was made "on the basis of their size and the variety of experiences [during bankruptcy] . . ."[11] Far from pointing to CIT as an institution with a complicated bankruptcy, the GAO Study specifically contrasted the CIT bankruptcy, which it noted that some experts considered to be "an orderly bankruptcy process and reorganization" and which lasted only a little

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8 Consisting of deposits by other financial institutions, net negative exposure of securities financing transactions with other financial institutions and net negative exposure of over-the-counter derivatives with other financial institutions.

9 COMPLEX FINANCIAL INSTITUTIONS AND INTERNATIONAL COORDINATION POSE CHALLENGES, GOVERNMENT ACCOUNTABILITY OFFICE (July 2011).

10 Transcript for the Joint Public Meeting, held February 26, 2015, by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency ("Public Meeting Transcript"), at 183:20–184:1. available at http://www.federalreserve.gov/bankinforeg/cit-group-onewest-application-materials.htm.

11 GAO Study at 70. The GAO Study notes that, at the time of the study, these represented the largest financial institution bankruptcies since the Bankruptcy Code was amended in 2005.

over one month, with the Lehman Brothers bankruptcy, which it noted some experts considered "disorderly".[12]

The commenter made the additional unsubstantiated assertions that CIT's alleged interconnectedness "likely complicated bankruptcy procedures" (a claim disproved by the approximately one-month bankruptcy process) and that "[i]nterconnectedness was a huge factor in CIT's bankruptcy" (without the slightest evidence whatsoever).[13] These assertions are incorrect and undermine the commenter's overall contentions regarding the Financial Stability Factor. The Board's consideration of interconnectedness is focused on whether financial distress experienced by a combined institution could create financial instability by being transmitted to any other institutions or markets within the U.S. banking or financial system.[14] The Applicants believe that CIT's bankruptcy in 2009 provides potentially the most convincing evidence that CIT had, and continues to have, a low degree of interconnectedness and that financial distress, and even its failure, would not cause significant damage to other financial institutions or the USFS. To the Applicants' knowledge, CIT's bankruptcy did not result in any significant financial distress to any other financial institutions or to the broader USFS or the economy, and interconnectedness with other financial institutions played <u>no</u> significant role in its bankruptcy.[15] On November 1, 2009, CIT filed a prepackaged voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. Among the factors that led to this bankruptcy filing were significant disruptions in the capital markets, accelerating credit line draw activity by clients, deteriorating portfolio performance and debt rating downgrades which, when combined, strained CIT's liquidity situation. After only 40 days, CIT emerged from bankruptcy on December 10, 2009. Nothing in the record suggests that CIT has become more interconnected since its bankruptcy or that the Transaction will result in any meaningful change in CIT's degree of interconnectedness. In fact, CIT has become less reliant on the capital markets for funding and that trend is expected to continue with the acquisition of OneWest.

CIT's business restructuring strategy emerging from bankruptcy included diversifying its "funding base at CIT Bank by adding commercial and retail deposits through

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12 <u>Id</u>. at 20–21.

13 Public Meeting Transcript at 183:18–19 and 184:1–2.

14 <u>See</u> Capital One-ING Order.

15 One commenter stated that "CIT sought an additional disbursal of TARP funds" and that CIT "argued that these funds were necessary because CIT was systemically important and its failure would harm the economy." CIT did not apply for disbursal of "additional TARP funds". CIT did, however, apply to participate in the FDIC's Temporary Liquidity Guarantee Program, in connection with which it asserted disruptions to certain small and medium business lending markets in which it participated. The FDIC did not approve CIT's application, however, which it presumably would have done, as it did in such cases as Ally and GE Capital, if it had considered CIT systemically important. CIT believes that its actual bankruptcy in 2009 had a minimal impact on its customers and that substitute providers were available where desired by customers and counterparties. Although CIT believes that certain small business lending markets and, in particular, its customers, could be negatively impacted if CIT were to fail, that does not mean that CIT's failure would cause significant damage to any financial market or the USFS.

organic growth and potential strategic transactions."[16] CIT has executed on this business strategy, and today has a far more stable funding profile that is less reliant on the capital markets. The acquisition of OneWest, which is funded primarily by retail, branch-based deposits, would further advance CIT's goal of achieving a more stable funding profile.

As noted above, CIT's funding profile has evolved, and will continue to evolve with this Transaction, toward a more stable and efficient funding profile. This, along with an enhanced earnings and capital generating capacity, will support CIT's financial strength and stability. In addition, CIT's becoming subject to the Board's enhanced prudential requirements and other provisions of the Dodd-Frank Act applicable to bank holding companies with $50 billion or more in total consolidated assets will also serve to assure the stability and resolvability of CIT, including as a result of more robust stress testing and capital planning through CCAR, enhanced risk management governance requirements and the requirement for CIT to develop a credible resolution plan for its rapid and orderly resolution.

Finally, regarding the assertion that allowing CIT to merge without addressing CIT's interconnectedness would be "downright reckless", the Applicants respectfully submit that, not only is interconnectedness one of the five factors that the Board considers as part of its analysis of the financial stability factor in Section 3(c)(7) of the BHC Act, but CIT has addressed its interconnectedness (or, more accurately, lack thereof) in detail, in the Application and in the December 23rd Response.

2. **Please directly respond to comments concerning the risks presented by the amount of Level 3 liabilities on CIT's balance sheet. In this regard, your response should address allegations that the spike in the valuation of CIT's Level 3 liabilities during the 2008 financial crisis and immediately before CIT declared bankruptcy, coupled with the amount of these liabilities held at the time in comparison to peers, indicates an accounting anomaly or volatile internal situation. Your response should also address these concerns as they apply to the pro form balance sheet of the combined organization.**

The Level 3 liabilities on CIT's balance sheet[17] are a de minimis (less than 0.1%) portion of its total liabilities,[18] and the Applicants believe that this de minimis amount of Level 3 liabilities does not present risks to the stability of the USFS and would not represent a challenge to CIT's resolution. Likewise, the acquisition of OneWest would increase CIT's Level 3 liabilities by only a de minimis amount, equal to less than one hundredth of one percent (<0.01%) of CIT's total liabilities as of December 31, 2014. Thus, the Transaction would have virtually no impact on CIT's Level 3 liabilities or the risk, if any, it poses to the stability of the USFS.

16 Amended Offering Memorandum, Disclosure Statement and Solicitation of Acceptances of a Prepackaged Plan of Reorganization, CIT Group Inc. & CIT Group Funding Company of Delaware, 9 (October 16, 2009).

17 Level 3 liabilities are liabilities whose valuations are based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of such liabilities.

18 As of December 31, 2014, $26.6 million in Level 3 liabilities compared to $38.8 billion in total liabilities.

Since 2008, CIT's amount of Level 3 liabilities has been consistently less than 0.1% of its total liabilities. The only exception was for the quarterly period ended September 30, 2009, in which Level 3 liabilities increased to approximately $293 million (still only about one half of one percent of CIT's total liabilities) for approximately one month due to CIT's recognition in September 2009 of a future liability for a $285 million proportional termination fee with respect to a partial reduction in the commitment amount under a derivative contract with Goldman Sachs. The payment was made in October 2009, as a result of which CIT's Level 3 liabilities decreased by that amount, and thereby returned to a level consistent with prior periods, and all periods since. The increase was disclosed and explained in CIT's quarterly report on Form 10-Q filed with the SEC for the period ended September 30, 2009,[19] and was not due to an "accounting anomaly or volatile internal situation".

Based on a review of financial information disclosed in quarterly and annual reports filed with the SEC, CIT believes that its Level 3 liabilities during the financial crisis were in line with (or lower than those of) bank holding companies with greater than $50 billion in total consolidated assets during the same period. Moreover, based on its experience during its bankruptcy, CIT does not believe that its Level 3 liabilities complicated its restructuring.

3. Confidential Exhibit D of the April 14, 2015, submission includes projected pro forma capital calculations starting at the end of the fourth quarter of 2015. Provide calculations for CIT Group's and CIT Bank's pro forma tier 1 leverage, tier 1 risk-based, and total risk-based capital ratios as of December 31, 2014.

Please see Confidential Exhibit A.

[19] See CIT Group Inc., Quarterly Report on Form 10-Q for the period ended September 30, 2009, *Notes to Consolidated Financial Statements, Note 5*.

PUBLIC REDACTED VERSION OF THE

CONFIDENTIAL EXHIBIT

TO THE

RESPONSES TO THE REQUEST FOR ADDITIONAL INFORMATION

DATED MAY 1, 2015

FROM THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

IN CONNECTION WITH THE

APPLICATION

TO THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RELATING TO THE PROPOSED ACQUISITION OF

IMB HOLDCO LLC

BY

CIT GROUP INC.

AND

CARBON MERGER SUB LLC

May 12, 2015

TABLE OF PUBLIC REDACTED VERSIONS OF CONFIDENTIAL EXHIBITS

PUBLIC REDACTED VERSION OF

CONFIDENTIAL EXHIBIT A

Capital and Related Information

CIT Group Consolidated Capital and RWA
$ in Millions

Risk Weighted Assets

Asset Balance

	CIT Q2'14	CIT Q4'14	Pro Forma CIT Q4'15	Pro Forma CIT Q4'16	Pro Forma CIT Q4'17
Cash & Investments	7,160	9,253	[redacted]	[redacted]	[redacted]
Loans / Leases - HFI	34,515	35,894	[redacted]	[redacted]	[redacted]
Loans / Leases - HFS	1,102	780	[redacted]	[redacted]	[redacted]
Allowance for Loan & Lease Loss	(341)	(346)	[redacted]	[redacted]	[redacted]
Goodwill & Intangibles	423	597	[redacted]	[redacted]	[redacted]
Other	1,293	1,703	[redacted]	[redacted]	[redacted]
Total On-Balance Sheet	44,153	47,880	[redacted]	[redacted]	[redacted]
Aircraft Purchase Commitments	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rail Car Purchase Commitments	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Long-term Loan Commitments	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Financial LC's & Guarantees	1,918	2,246	[redacted]	[redacted]	[redacted]
Other	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Off-Balance Sheet	14,789	18,209	[redacted]	[redacted]	[redacted]
Total Risk Weighted Assets	58,942	66,089	[redacted]	[redacted]	[redacted]

Risk Weighted Asset Balance

	CIT Q2'14	CIT Q4'14	Pro Forma CIT Q4'15	Pro Forma CIT Q4'16	Pro Forma CIT Q4'17
Cash & Investments	1,679	1,999	[redacted]	[redacted]	[redacted]
Loans / Leases - HFI	34,515	35,894	[redacted]	[redacted]	[redacted]
Loans / Leases - HFS	1,102	780	[redacted]	[redacted]	[redacted]
Allowance for Loan & Lease Loss	-	-	[redacted]	[redacted]	[redacted]
Goodwill & Intangibles	-	-	[redacted]	[redacted]	[redacted]
Other	566	522	[redacted]	[redacted]	[redacted]
Total On-Balance Sheet	37,862	39,194	[redacted]	[redacted]	[redacted]
Aircraft Purchase Commitments	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rail Car Purchase Commitments	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Long-term Loan Commitments	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Financial LC's & Guarantees	1,888	2,223	[redacted]	[redacted]	[redacted]
Other	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Off-Balance Sheet	13,140	16,287	[redacted]	[redacted]	[redacted]
Total Risk Weighted Assets	51,002	55,481	[redacted]	[redacted]	[redacted]

Risk Weighting

	CIT Q2'14	CIT Q4'14	Pro Forma CIT Q4'15	Pro Forma CIT Q4'16	Pro Forma CIT Q4'17
Cash & Investments	23%	22%	[redacted]	[redacted]	[redacted]
Loans / Leases - HFI	100%	100%	[redacted]	[redacted]	[redacted]
Loans / Leases - HFS	100%	100%	[redacted]	[redacted]	[redacted]
Allowance for Loan & Lease Loss	0%	0%	[redacted]	[redacted]	[redacted]
Goodwill & Intangibles	0%	0%	[redacted]	[redacted]	[redacted]
Other	44%	31%	[redacted]	[redacted]	[redacted]
Total On-Balance Sheet	86%	82%	[redacted]	[redacted]	[redacted]
Aircraft Purchase Commitments	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rail Car Purchase Commitments	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Long-term Loan Commitments	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Financial LC's & Guarantees	98%	99%	[redacted]	[redacted]	[redacted]
Other	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Off-Balance Sheet	89%	89%	[redacted]	[redacted]	[redacted]
Total Risk Weighted Assets	87%	84%	[redacted]	[redacted]	[redacted]

CIT CONSOLIDATED - CAPITAL

	CIT Q2'14	CIT Q4'14	Pro Forma CIT Q4'14 ProForma	Pro Forma CIT Q4'15	Pro Forma CIT Q4'16	Pro Forma CIT Q4'17
Stockholders Equity	8,618	9,069	[redacted]	[redacted]	[redacted]	[redacted]
Qualifying Minority Interest	12	(5)	[redacted]	[redacted]	[redacted]	[redacted]
OCI Items excluded from Tier I	21	58	[redacted]	[redacted]	[redacted]	[redacted]
Disallowed Deferred Tax Assets	(27)	(417)	[redacted]	[redacted]	[redacted]	[redacted]
Investment in Subs (1st 50%)	(32)	(37)	[redacted]	[redacted]	[redacted]	[redacted]
Goodwill & Intangibles	(423)	(597)	[redacted]	[redacted]	[redacted]	[redacted]
All other	(6)	(4)	[redacted]	[redacted]	[redacted]	[redacted]
Total Tier 1 Capital	8,162	8,067	[redacted]	[redacted]	[redacted]	[redacted]
Allowance for Loan & Lease	372	382	[redacted]	[redacted]	[redacted]	[redacted]
Less Investment in Subs	(32)	(37)	[redacted]	[redacted]	[redacted]	[redacted]
Total Tier II Capital	340	345	[redacted]	[redacted]	[redacted]	[redacted]
Total Capital	8,502	8,412	[redacted]	[redacted]	[redacted]	[redacted]
Leverage Assets	44,620	46,327	[redacted]	[redacted]	[redacted]	[redacted]
Ratios			[redacted]	[redacted]	[redacted]	[redacted]
Tier I Capital	16.0%	14.5%	[redacted]	[redacted]	[redacted]	[redacted]
Tier I Common	16.0%	14.5%	[redacted]	[redacted]	[redacted]	[redacted]
Total Capital	16.7%	15.2%	[redacted]	[redacted]	[redacted]	[redacted]
Leverage	18.3%	17.4%	[redacted]	[redacted]	[redacted]	[redacted]

Assumptions:
Assumed Close is 7/1/2015
[redacted]
Capital Ratios use Basel III beginning January 2015
[redacted]

Resultant Bank Consolidated Capital
$ in Millions

	STAND-ALONE	Resultant Bank Capital			
	Q4'14	Q4'14 ProForma	Q4'15	Q4'16	Q4'17
Stockholders Equity	2,716	[redacted]			
Goodwill & Intangibles	(180)				
All other	0				
Total Tier 1 Capital	2,537				
Allowance for Loan & Lease	245				
Total Tier II Capital	245				
Total Capital	2,782				
Risk Weighted Assets	19,552				
Leverage Assets	20,861				
Ratios					
Tier I Capital	13.0%				
Tier 1 Common	13.0%				
Total Capital	14.2%				
Leverage	12.2%				

Assumptions:
Assumed Close is 7/1/2015
[redacted]
Capital Ratios use Basel III beginning January 2015