



## **Fed designates CIT Group as bank holding company**

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### **Fed grants approval for financial services firm CIT Group to become bank holding company**

WASHINGTON (AP) -- The Federal Reserve on Monday said it has approved CIT Group Inc. as a bank holding company, clearing a key hurdle for the firm to bolster its resources with loans and support from the government's financial rescue fund.

The Fed's decision means the New York City-based commercial financial services firm will have permanent access to the Fed's emergency loan window and also will be eligible for loans from the \$700 billion rescue fund created by Congress on Oct. 3.

CIT Group had been seeking the change in status in an effort to improve its funding options and help weather the severe credit crisis that has hit the financial sector.

"Bank holding company status is expected to provide us increased access to funding and a new platform from which we will serve our middle market and small business clients," CIT Group Chairman and Chief Executive Jeffrey M. Peek said in a release. "We believe this step should ultimately enhance the value of our franchise."

CIT Group had its credit rating cut by Standard & Poor's on Friday. The company's counterparty credit rating was reduced to "BBB+" from "A-." The new rating is still considered investment grade.

S&P has taken an increasingly pessimistic view on the broader financial services industry which is undergoing a severe credit crunch with billions of dollars of loan losses and the U.S. economy struggling to emerge from a recession that is already the longest in a quarter-century.

The government is trying to counteract the credit crisis by using the bailout program to purchase stock in financial institutions as a way of bolstering their balance sheets and encouraging them to resume more normal lending. In addition, the Fed has made billions of dollars of emergency loans to banks through its discount window.

Bank holding companies can access both government programs, and should help CIT Group to replace borrowing it normally does in credit markets, which have essentially dried up since the financial crisis struck with force in September.

CIT Group also is working to raise new capital through a stock offering and is in the midst of a debt exchange offer to firm up its regulatory capital.

The Fed's approval for CIT Group to become a bank holding company follows similar authorizations changing the status of financial titans Goldman Sachs Group Inc., Morgan Stanley and American Express Co., so they could access the loan window and government rescue fund.

GMAC Financial Services Co., the financing arm of General Motors Co., also has applied to become a bank holding company.