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FINAL TRANSCRIPT

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PRESENTATION

Operator

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Good day, ladies and gentlemen, and welcome to the third quarter 2007 CIT Earnings Conference Call. My name is Twaleesha, and I will be the operator for today. At this time, all participants are in listen-only mode. We will be facilitating a question-and-answer session towards the end of this conference. If at any time during the call you require assistance, please press star 0, and an operator will be happy to assist you. As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the call over to your host for today, Mr. Ken Brause, Investor Relations.

Ken Brause - *CIT Group - EVP, Investor Relations*

Well, thank you, [Twaleesha]. And good morning, everyone, and welcome to the CIT Third Quarter Earnings Call.

Before we get started, we would like to ask that during the Q&A session, in order to be efficient, that we limit our questions to just one, and if you have a second question, to please return to the queue and we'll do our best to get back to you if time permits.

Second, elements of the call are forward-looking in nature and relate only to the time and date of this call. We disclaim any duty to update these statements based on new information, future events or otherwise. For information about risk factors relating to the business, please refer to our SEC reports. Any references to certain non-GAAP financial measures are meant to provide meaningful insight and are reconciled with GAAP in the financial tables accompanying the press release. For more information on CIT, please visit the Investor Relations section of our website at www.cit.com.

With that, it is my pleasure to hand the call over to Jeff Peek, our Chairman and CEO.

Jeff Peek - *CIT Group - Chairman, CEO, President*

Thanks, Ken. And good morning, everyone. I know we gave you a lot of information to digest this morning during an already busy earnings period. Joe and I are going to do our best to cover the highlights and put the pieces together in our remarks, and then we can use the Q&A period to clarify any remaining questions you have.

With the benefit of all the information we've given you, I think you can see that our actions represent an integrated solution to several issues: mortgages, funding, debt ratings and capital. We made significant progress in ring-fencing our home lending exposure. We are raising capital through the $600 million mandatory convertible issue and all four rating agencies affirmed our ratings and outlooks this morning, a very positive action for us. I am confident that these solutions will benefit all CIT stakeholders over the long-term. A strong balance sheet and solid debt ratings enabled us to access competitively priced funding so that we can profitably grow the business and improve returns.

With the benefit of hindsight, could we have predicted the fact pattern that emerged during the quarter and particularly September? I really don't know. Between the pullback in market liquidity, credit market issues, and a deteriorating housing market, the fact pattern was very dynamic and changing rapidly. I know that we visited with many of you in August. Now, a number of these factors shifted meaningfully much later in the quarter, if not after the end of the quarter. And this influenced our decision making.

To me, a successful franchise is one that can adapt to changes as they occur. And that is exactly what we've had to do over the past few months. I think the results of our core commercial franchise businesses this quarter were outstanding given the shifting market and other distractions we faced. Our commercial businesses grew revenues on asset growth and higher fee income, and commercial credit quality remains strong.

Now, I want to come back to these franchise businesses: how they performed and what you should expect going forward. But first let me spend a few minutes highlighting the progress we made around the home lending portfolio.

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Our goal was to develop and execute a strategy that would maximize the economic value and minimize the ongoing impact of the home lending business so that we could focus on our core commercial franchise. And I really think we've done just that. In August, we announced that we closed our origination network, consistent with our desire to get out of the residential mortgage business. With less liquidity and fewer interested buyers, we opted to hold and liquidate most of the portfolio over time, rather than execute a sale of the entire portfolio at distressed market prices. Accordingly, we transferred about 90% of the Mortgage Receivables back to Assets Held for Investment at the end of the quarter. We continue to believe that our portfolio will perform better than industry averages.

Now, as Joe will discuss in more detail, we securitized a majority of this portfolio and raised over $5 billion in proceeds, which not only satisfied a substantial amount of our second half funding needs at attractive rates, but also validated the quality of our portfolio in underwriting. And as you know, we have our own dedicated servicing function in Oklahoma for this business and will be intensely focused on using this great resource to ensure we receive the best economic value from these loans.

Now, we did leave the riskest 10% of little over $1 billion in unpaid balances in Assets Held for Sale at September 30th, as the market bid for these loans aligned better with our own internal valuations. This portfolio contains almost all of our nonperforming loans. And I am pleased to tell that you we contracted to sell about $875 million of these nonperforming loans earlier this week at approximately the adjusted value of those assets at September 30. And we structured the sale so that we will get additional upside if the portfolio outperforms certain parameters while eliminating any potential downside from the continuing deterioration in home prices.

Now, I think, as most of you know, accounting rules required us to mark to lower of cost or market the entire home lending portfolio in the third quarter. As a result, we recorded a $465 million fair value adjustment, which Joe will walk you through in a minute or two. Accordingly, this charge clearly had an impact on our capital. And I assure you we remain committed to maintaining strong ratings and capital levels, which are critical to executing our entire corporate strategy. To that end, our $600 million mandatory convertible offering further underlines this commitment. Due to SEC regulations, I am not able to make any further comment on this transaction on this call, but more details can be found in the press release. And again, all the rating agencies affirmed our single A term debt rating in our A-1/P-1 commercial paper ratings and outlooks. By way of these actions, we've eliminated the downside exposure on the riskiest part of the portfolio, enhanced liquidity through the securitizations and have retained the upside potential on the entire portfolio should market conditions improve. Further, I am confident of our ability to maximize returns through the liquidation process going forward with our Oklahoma City facility.

And now, we can turn our attention to our core commercial franchises. I would like to discuss the result of these businesses. Excluding the home lending segment, we earned $1.29 per share this quarter. We grow assets over $4 billion quarter over quarter. Commercial credit quality remained solid. And our expenses, our Operating Expenses declined. The benefits of our diversified business model, which should enable us to deliver earnings growth to all cycles, has never been more evidence or resilient than in this past quarter. While risk was repriced across a number of markets, and there was a significant reduction in liquidity, CIT's businesses continued to be robust with new opportunities in a number of regions and businesses. And let me spend a few minutes on each of our segments.

First, corporate finance, where the market dynamics are the most fluid. We had significantly lower loan syndication volume here, as a result of the liquidity pullback which you've all read about. I am pleased to say that none of our deals got hung up in syndicate, and we successfully worked through our pipeline, avoiding the charges incurred by some of the competition. Partly offsetting this contraction in syndication opportunity were strong M&A advisory fees reflecting the contribution from Edgeview partners, the company we acquired in July. Prospectively, with reduced competition and better market dynamics, new loans are being priced at spreads which are at least 100 basis points better in spread than three months ago, and with much better terms, much stronger covenants for the lender. In fact, in corporate finance, we grew assets by over $1 billion in the quarter.

The revenue stream, however, is different. Today's originate-and-hold approach results in revenue recognized over the life of the loan as compared to the originate-to-sell model in which roughly 35% of the revenue is recognized up front at origination. The trend is clearly toward more club deals, in which strong relationships enable us to get deals done though the economics

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are shared more evenly than in a traditional lead-agented deal. I do feel very good about our opportunities in corporate finance as we leverage our industry expertise, our brand reputation, and our strong relationships in the meta-market. The M&A pipeline remains quite strong, and our restructuring advisory group is poised and had ready to take advantage of market opportunities as they arise.

Now, returns in transportation finance: Our planes and trains business increased sequentially to 17% this quarter. The aerospace market remains very strong. In fact, every plane that we own today is on lease, and all of our future deliveries into 2009 are spoken for, already committed. This length of commitment, unprecedented for CIT. In the quarter, aerospace financing volume was strong, and we took delivery and placed on lease four new aircrafts. The order book is solid and well-priced, averaging $1 billion of plane deliveries annually for the next five years. Rail utilization remains historically strong at approximately 96%. However, softness in the residential construction sector is impacting demand for related car types. That said, our team has done an excellent job maintaining a very desirable fleet and pushing out lease terms in terms of renewals. We are in a great position to opportunistically add to our fleet, based on market conditions. Returns in the rail business are strong and should remain attractive into 2008.

Now, let's talk about trade finance. Factoring volume here was seasonally strong, with assets growing over $1 billion during the quarter. Assets were up 6% from a year ago, with commissions coming in flat due to tighter spreads and competitive conditions. With oil prices high, the housing market in flux and unseasonably warm weather impacting the sale of fall and winter merchandise, I would say there is definitely some conservatism in retailer outlooks for the holiday season. However, returns in this business continue to be well-above hurdle and actually increased to 19% this quarter. We are a market leader in this business, and expect it to continue to throw off significant cash and generate high returns. In fact, this is one business where demand and pricing for our services increases as the credit cycle turns and credit conditions deterioriate.

Vendor Finance. We continue to invest in our global vendor finance business as it is a key driver of long-term growth. Specifically, we opened our Shanghai Servicing Center, expanding our Pan-European Servicing Center in Dublin and increased staffing levels in Jacksonville to handle the added volume from the Citigroup acquisition. We are also in the midst of integrating the Barclays acquisition, which has taken a little bit longer than expected. Current returns of 13% reflect these recent investments. Now, the good news is that the health of the underlying franchise remains strong. Volumes were up 48% from a year ago for all non-Dell related businesses worldwide. And if you also strip out the volume from the Barclays and City acquisitions, we still grew 16% organically versus last year. We expanded our Sun Microsystems Global Program relationship to Mexico, Brazil and China. Additionally, we will realize some of the acquisition cost synergies from Barclays and Citigroup in the fourth quarter.

And finally, an update on student lending. Our team did a great job delivering record new business volume in what is seasonally the most important quarter of the year. School channel originations were up 17% from a year ago, and that is important because with the new legislation, in-school originations are, far and away, the most profitable for us. The legislation -- It came in largely as expected. We are monitoring the competitive response to the changes in our restructuring our business model to maximize profitibility. For example, sourcing consolidation loans through select channels may no longer be economically viable or profitable. As a result, we stopped most of our direct marketing for this consolidation product and will be reducing expenses accordingly.

In summary, CIT had a very productive quarter. We made decisions and took actions on our home lending business that should mitigate year-longer-term concerns. We also secured our funding and capital positions, and at the same time, grew our commercial businesses. We continue to advance our strategic initiatives to expand internationally, progress our asset manager initiatives and drive operational excellence. I firmly believe that our actions this quarter position CIT for the type of continued long-term success we've enjoyed these last few years. With that, I will turn it over to Joe for a more detailed review of home lending, funding and our third quarter financial results. Joe.

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Joe Leone - *CIT Group - Vice Chairman, CFO*

Thank you, Jeff. Good morning, everyone. What I would like to do in my remark is expand on what Jeff said in trying to put it into a [house] of financial people and financial organization needed to deal with the actions and strategies Jeff and we put together and put forth in the third quarter.

So with that, I agree. The company showed a great deal of strength and resiliency this quarter. I think we did an excellent job of managing liquidity in one of the most challenging funding environments I've seen. As Jeff described, we developed a home lending strategy that needed to be adapted to a significantly deteriorating market. Our assets grew from our franchises in a very tough market, and we hunkered down a bit and managed expenses down. And at the end of the day, we managed and continued to put up excellent credit quality metrics, as Jeff described. What I would like to do is continue the theme that Jeff mentioned, and there are four areas I would like to talk to you about. One is that are most important to us and you our stakeholders. That's home lending and liquidity, the financial performance of the consolidated group and consolidated financial trends.

Let me start with home lending, and what I will try to do is give you to you from my eyes with how the financial organization, as I said, needed to deal with the strategies we put in place. When I was on the road with you, I talked to you about -- After our July earnings release, we were begining to start a process to sift through the number of inbound inquiries we had received for the business. But during that time, the market was deterioriating in home lending. You know, many were exiting, house prices continued to decline, and discount rates moved higher. With all the companies exiting, we felt we needed to be smart about our plan. And as a result, we put together some of our best and brightest minds to help shape a strategy, based on what we were seeing and hearing and what we we felt the underlying value of the business was. We concluded, as Jeff said, that the origination platform had little value, but clearly our servicing platform was coveted and could be considerable in value to us in a liquidation strategy. Clearly selling the entire home lending portfolio was not economic. Our objective was to come up with a strategy that would cease origination -- Jeff mentioned that -- maximize economics. But we also wanted to liquefy the portfolio, effectively self-funding it and reduce some of the risks.

On the liquidity side, we wanted to generate liquidity from receivables and demonstrate we had some very strong performing elements of the portfolio. We accomplished that. The $4.2 billion financing we did with Freddie Mac in September and an additional $800 million securitization we did this month with smart investors in this space who looked at our assets and found good quality. The underlying assets for these financings are over $7 billion and are now encumbered. This required us to move them into Assets Held for Investment, so that we can liquidate them over their contractual terms. Jeff mentioned we wanted to shed some of the portfolio risk, and he mentioned $900 million or so portfolio that we will sell. Additionally, we will continually market another portfolio with an unpaid principle balance of about $500 million into the fourth quarter. Additionally, we wanted to maximize the economics on the remaining $2 billion of unpaid principal balance of the portfolio using our servicing and collection expertise. So, we marked these receivables also down to lower of cost or market and moved them to Assets Held for Investment and will liquidate these over their contractual terms as well. As Jeff said, unfortunately, because our portfolio was classified as Held for Sale, and the fact of the dislocations continuing in the quarter, we need to value or adjust to lower of cost or market in a significant way before we move all the portfolio or the portions of the portfolio to Assets Held for Investment.

As you know, the Center for Audit Quality issued a white paper in which there was guidance on fair value methodology, and we followed that. As a result, we under took a rigorous valuation process, searched the market for whole loan sales of comparable paper, and we supplemented that data with amongst other data points, updated rating agency loss estimates, which provided a third-party view of expected losses on our specific set of collateral, discount rates from others, bids on certain elements of our portfolio. We stratified our portfolio into several categories, so that we could make a better match of external data points with our portfolio. As a result of all of this, as Jeff mentioned, we took an additional charge pretax of $465 million in the quarter, and I believe our markets consisted with a level 2 valuation in the fair value hierarchy.

This valuation adjustment negatively affected our capital ratio in fixed card charge coverage ratio. Our tangible equity to managed assets ratio came down to 7.7% this quarter. That's why we announced the mandatory convertible transaction this

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morning. Our fixed charge coverage ratio dropped below the 1.1 times test included in our preferred and junior subdebt. That's why we sold 800 million of common equity yesterday: to use the alternate payment mechanism and pay the preferred dividends in December. Additionally --

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Jeff Peek - *CIT Group - Chairman, CEO, President*

$8 million.

Joe Leone - *CIT Group - Vice Chairman, CFO*

That's why we sold $8 million. I am sorry. $8 million. want to be clear because there is confusion on it. $8 million of equity yesterday. $8 million.

Additionally, in order to be full in our solution and revenue uncertainty going forward, we entered into an agreement with underwriters that giave us the right to sell over time an additional $80 million of common stock over the next four quarters to cover interest and dividend payments on the junior subdebt and preferreds if necessary. Our actions to rebuild capital reflect our commitment, as Jeff mentioned, to strong capital levels and the highest debt ratings possible.

Moving to liquidity. As I said before, this has been one of the most difficult funding environments that I and my very experienced treasury team have been through. Despite the challenges, we substantially completed our funding plan without capping the unsecured term debt markets, and that was while we grew assets $4 billion and reduced commercial paper by over $2 billion. Since July, we raised almost $10 billion in financing, and that is quite an accomplishment and a testament to the quality of our assets and the flexibility that the company has in funding our business. We raised over $5.5 billion in securitizations through our various multiseller asset-based facilities where average funding costs were below our CDS levels. We accessed our student lending and our U.S. vendor and equipment facilities consistent with our ongoing securitization programs. We used our factoring trade receivable facility we had established years ago. We successfully executed our first securitization of small business lending assets. And at the same time, we renewed one of our U.S. equipment conduits and renewed and increased our student loan conduit. I already mentioned $5 billion in home lending securitization backed by over $7 billion of mortgage that is we did in the quarter and into October. But we also closed a three-year commitment committed syndicated facility in China for approximately $400 million to replace a smaller facility to help us fund growth in that market.

Moving to commercial paper. Issuing commercial paper this past quarter was challenging, particularly in August and September. We elected to avoid the overnight markets and as a result CP outstanding declined to 3.6 billion. Market base for term paper tightened, and we maintained a 45 to 50-day average [tenor]. That was down from about 65 days last quarter but still demonstrating term availability. Average costs were higher, around LIBOR plus 20, with August and September levels almost double that. This compares to second quarter at LIBOR flat or so.

October's been better. We have seen stablization in price, better [tenor], and we believe today's rating affirmations will help this further. At the same time, we maintained strong alternate liquidity at quarter end. You can see the balance sheet. We had a strong cash position. We have $2.4 billion in committed and available capacity under asset-backed conduits, and of course, we still have $7.5 billion of committed and fully available bank lines.

Jeff mentioned ratings. Critically important. We continue to feel our funding model is best executed at mid-single A or higher ratings. That's why I was so pleased that the agencies, after reviewing our quarterly results, our home lending decisions and our capital actions, have affirmed our ratings, as Jeff said. While we may not have to, we will continue to closely monitor capital markets for a potential entry point to execute it unsecured trade, as access to the wholesale unsecured debt capital markets is an important element in our balanced funding model.

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Turning to the financial results for the quarter, I am very proud of how our franchises performed. I will take you through the numbers, excluding home lending where it makes sense, to give you an indication of the performance of our core franchises.

Margins were essentially flat in percentage terms. I think that's quite an accomplishment in this environment where we had the increased funding costs I described in commercial paper and the secured financing facilities we used. Excluding Gains on the Sale of Construction, non-spread revenue was down a bit, about $12 million sequentially. I think that's a strong accomplishment and one that says a lot about the strength of our franchise when you consider that gains from syndication home loan sales were down about $47 million in the quarter because of market conditions.

Jeff mentioned some areas of strength. Factory commissions were up $8 million. Other income was up $23 million on strong M&A advisory fees, structuring fees, principally in healthcare, some gains in vendor finance and transportation unit, both rail and air, equipment gains were strong, up about 4 million sequentially. Expenses were down $6 million sequentially, as we managed discretionary spending and head count was controlled. The efficiency ratio is about 45%, improved from 48% last quarter. We are happy with that progress but have more to do -- More on that later.

Commercial credit quality was outstanding once again, one of the highlights of the quarter. We had virtually no valuation adjustments on syndications, as we pointed out. Credit losses came in at very low levels, 37 basis points, with low levels of commercial charge-offs offset by slightly lower recoveries, and higher consumer charge-offs. Forward markers remained strong. Delinquencies are up a bit. They're flat with last year, primarily driven by some administrative delinquencies in international vendor [that will cure], and somewhat higher delinquencies in corporate finance. Nonperformers, while -- This movement in nonperformers are only 1%.

Another data point on reserves. We built reserves this is quarter, as we provisioned $17 million more than we charged off, due to asset growth and slightly higher level of delinquencies. Our general or unallocated loss reserve for inherent losses is about 1.2%. It is basically flat with the past few quarters, as we had some seasonal growth in factoring.

On taxes: We've done a good job in managing taxes, and in fact did a little better than our expectation. And the effective tax rate was about 25%, and we continue to expect the tax rate for the year to be in the 25% to 27% area. As you can see, our franchise has accomplished a lot during the quarter. Growing assets, growing revenues.

Let me give you thoughts on Q4 trends from a consolidated point of view. Margins could be lower as we have higher funding costs, as we did some very important financings, including the ones I mentioned in securitization and the ones we announced today, yet we continue to look for areas of improved pricing, and Jeff covered that. We see volumes remaining strong, as I feel our franchises can even be more competitive in today's environment. Given the relatively strong credit markers at quarter end, we expect continued strong credit quality. Despite lower syndication gains, which could continue through the fourth quarter, non-spread revenue should remain strong as the pipeline for fees look particularly good. We see opportunities for expense improvement and will continue to push forward initiatives, as Jeff described, in vendor finance, where we'll consolidate certain operations. We have more streamlining to do. As you noticed in our press release, we no longer have commercial and specialty finance groups. We're flattening the organization, and with the strategy of home lending and last quarter's construction sale, we're looking at improving the efficiency of support functions across the company.

So, let me sum it up. I think we made the right disciplined moves in home lending. We have now even more focus on collections, so that we can achieve better returns on the portfolio than where we value it. These actions will allow to us focus even more of our capital and resources on our franchise businesses. On liquidity, the balance sheet is healthy, alternate liquidity is strong, and ratings have been affirmed. Our franchises should be able to continue to build, especially in this environment where competition is reduced. My colleagues throughout CIT did a terrific job in Q2 in a most challenging environment. We are all committed to continue to execute on our strategy. With that, back to the Operator.

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QUESTIONS AND ANSWERS

Operator

Our very first question comes from the line of James Fotheringham with Goldman Sachs. Please proceed.

James Fotheringham - *Goldman Sachs - Analyst*

Thank you. Jeff, could you give an update on your plans to IPO the aircraft portfolio? Are there any changes with respect to timing, size or structure? And also on the strategy for student lending, should we be reading anything into your transfer of small business out of the consumer segment where student lending now sits alone? Thanks.

Jeff Peek - *CIT Group - Chairman, CEO, President*

James, good morning. First, on your first question, I think I can say no change. We're in registration, so I can't expand more than that. No change in market conditions. On the second question, I wouldn't read anything more into that, other than we, frankly, from a credit adjudication perspective, found that the SBA loans fit better with kind of the corporate finance credit environment, as opposed to that they were-- each deal was a little bit of an individual analysis as opposed to [indiscernible] businesses where we could scorecard the business. So, we moved it over to corporate finance and think there there could be some synergies. We've already done some financing for some of the franchise companies where we finance the franchisees through SBA. So, we just think it is a better fit. I wouldn't read anything more into that.

James Fotheringham - *Goldman Sachs - Analyst*

Thank you.

Operator

Now our next question comes from the line of Eric Wasserstrom with UBS. Please proceed.

Eric Wasserstrom - *UBS - Analyst*

Thanks. In terms of the capital, do I understand that there is basically three unique capital events going on? One is the $8 million of common sold yesterday. The second is the $80 million piece that's related to that that you have some optionality around, or should i say, some flexibility. And then the third is the $600 million convertible. Is that correct?

Joe Leone - *CIT Group - Vice Chairman, CFO*

Yes. Let me be clear because I don't think I was as clear as I could have been in my script. Eric, you have it right. We did issue $8 million of equity yesterday to satisfy the dividend due in December. As we look forward to the fixed charge coverage ratio calculations, we wanted to make sure thatwe put this issue out of investors' concerns, so we have an agreement with certain underwriters, where our option, we can issue up to $80 million going forward over the next year to satisfy any other trigger issues that we would have over the next twelve months. So, it is-- $8 is actually raised. $8 is a commitment we have from underwriters that we have not realized or actualized on yet. We'll see how the next several quarters go. But that should disspell the fears of any problem with the trigger. And then, lastly, the other capital raised is the $600 million that you referenced, Eric.

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Eric Wasserstrom - *UBS - Analyst*

One quick -- I may have misheard you. But ilt's 8 and 600 or 80 and 600.

Joe Leone - *CIT Group - Vice Chairman, CFO*

Thank you, Eric. It is 8 done, 80 at forward commitment - we may or may not do that -- and 600. Three discreet events.

Eric Wasserstrom - *UBS - Analyst*

Got you. Thanks. And if I can just get one more point of clarity. As you look back in terms of the managing through this home equity disposition, if you had -- Is there some way that that could have been accomplished that you can see now that might have avoided the capital hits and the violation of the coverage ratio?

Joe Leone - *CIT Group - Vice Chairman, CFO*

Well, Eric, I think the economics are with the economics are over time. Having said that, the classification as Assets Held for Sale require slightly different accounting or different accounting than Assets Held for Investment. So, therein lies, I think, the answer to your question.

Eric Wasserstrom - *UBS - Analyst*

Okay. Thanks very much.

Operator

Our next question comes from the line of David Hochstim with Bear Stearns. Please proceed.

David Hochstim - *Bear Stearns - Analyst*

Following up on the home lending portfolio, can you give us an idea what the delinquencies, some of the credit metrics would have been on a pro forma basis for the assets that were sold in the last week? You said those were I think the worst of the assets that have material effect on credit profile?

Joe Leone - *CIT Group - Vice Chairman, CFO*

Yeah. I would say that -- What I can tell you is that the assets that we sold had significantly different characteristics, demographics than what we retained. The FICOs were lower. The LTVs were higher. The amount of [full doc] was lower. And those are a couple of items. And I would say a substantial portion of our delinquents reside in that portfolio.

David Hochstim - *Bear Stearns - Analyst*

So, roughly -- I mean, of the $1.2 billion that you show as of September 30th, how much would be that 800 or however much you sold?

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Joe Leone - *CIT Group - Vice Chairman, CFO*

I don't have the exact number with me, David. I think it is about 60% or 70% of that, I believe.

David Hochstim - *Bear Stearns - Analyst*

Okay. And then sort of related to that, could you just explain the decision to retain the entire portion of the assets and investments? Is there some way -- Freddie Mac purchased on their books -- They purchased the $4 billion-plus, you're holding those on your balance sheet as well. If you accounted for that as a sale and you just retained the other piece on balance sheet, would that have generated higher mark-to-market losses at September 30th? Or is there some reason you didn't want that other stuff off the balance sheet to free up capital?

Joe Leone - *CIT Group - Vice Chairman, CFO*

Let me try this because I think since we did the Freddie Mac deal, there has been confusion on this. About $6 billion of collateral was pulled and transferred to a bankruptcy remote trust, and in that trust, the securities were tranched. We hold all the securities. We sold the triple A level of the securities to Freddie Mac. We continue to hold the securities below that level. While it was not a sale of the assets to Freddie Mac, the assets are in effect encumbered for their life. So, we have no flexibility on the entire asset pull to sell out those assets to anyone else until the cleanup call. Therein the requirement to move them to Assets Held for Investment. The same is true for the transaction we did in October.

David Hochstim - *Bear Stearns - Analyst*

Okay. Thanks.

Operator

Now our next question comes from the line of Matt Burnell with Wachovia. Please proceed.

Matt Burnell - *Wachovia Securities - Analyst*

Good morning, gentlemen. Just a quick question in terms of funding needs for the next quarter or two. Joe, could you give us an update as to how you see your funding needs, both secured and unsecured, over the next three to six months and show f your thoughts about how you're going to go about financing that?

Joe Leone - *CIT Group - Vice Chairman, CFO*

Yes, Matt. As we look at our funding needs, we made a significant amount of progress over the the quarter. As we look out into the fourth quarter, it depends on what happens with asset growth, but we would continue -- based upon our current thinking, we continue to look at additional student lending securitizations. We continue to look at equipment finance securitizations. We continue to think that certain of our transportation segment is eligible for secured financing, and we would continue to plan on doing our borrowing in the secured market.

Having said that, the money we'll raise from the sale of the portfolio, from the capital raised transaction that's in the press release, and hopefully, some other sales that we mentioned in terms of holding some of the additional assets held for investment. I think between those, that would satisfy our funding needs for the rest of the year. Having said that, we're still looking for the right opportunity to get into the unsecured term markets with a term deal of size. Our expectation is to hold commercial paper at about where it is right now in the $3 billion or so level.

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Matt Burnell - *Wachovia Securities - Analyst*

And in terms of your funding needs for the first half of '08, any thoughts on those?

Joe Leone - *CIT Group - Vice Chairman, CFO*

You know, no. I mean, yes. We would like to get back to a balanced way of doing. I don't have the numbers handy at my fingertips. You can follow up with IR in terms of those needs.

Operator

Our next question comes from the line of Chris Brendler with Stifel. Please proceed.

Chris Brendler - *Stifel Nicolaus - Analyst*

Hi. Thanks. Good morning. There is some stuff moving around the segments, especially small business moving into corporate finance, but let me just comment in both corporate finance and vendor finance. The NPAs were up pretty significantly sequentially, yet I am calculating that you actually took down reserves, the provision was actually less than the charge-offs in both those segments. Can you give me a little comment and a little color, how do you feel about the NPAs, of these lower loss content NPAs, and how do you feel about credit in those two segments?

Joe Leone - *CIT Group - Vice Chairman, CFO*

Yeah. The noise in those numbers relate to the amount of assets that are in syndication or in Assets Held for Sale. As I mentioned earlier, the credit provisioning overall at this company level was in excess of charge-offs by some $17 million. In terms of the specifics, I mentioned in vendor finance, we feel that the delinquencies for the most part relate to lower -- higher quality receivables that have delinquencies for administrative reasons that we need to have cleaned up relative to integrations. And on corporate finance, based upon the amount of collateral and the observations we have on the FAS 114 or the loss element of those receivables, we still expect fourth quarter credit quality to remain very stellar. So, to be briefer about or summarize the answer: While those delinquencies and NPAs are higher, we think they're lower loss content NPAs. Secondly, overall you have to look at the overall company. We're at the top of the house. We built the loss reserves because of the increase in delinquencies.

Chris Brendler - *Stifel Nicolaus - Analyst*

Okay. A separate question if I may. A clarification. You said that in your outlook for the fourth quarter that the pipeline for fees looked particularly good. What I am struggling a little bit is just exactly how we should think about the syndication business. You mentioned you didn't have any hung deals, and your comment on the outlook for fourth quarter sort of struck me as encouraging. What are you seeing on that front? I would think that you would see a lot less deal flow, a lot less activity, a lot less -- as Jeff mentioned, a lot less opportunity to lead managed deals, and that would put pressure on fee income, but it sounds like that's not the case. Can you help clarify that?

Jeff Peek - *CIT Group - Chairman, CEO, President*

Chris, I think one of the comments that Joe and I made, we are seeing a much-better-than-projected pipeline of deals for Edgeview, which we feel takes up some of the slack if the syndication market doesn't continue to improve. As always, we see some improvement in the syndication market over the last three or four weeks. So, I think in terms of higher fee income opportunities, the fourth quarter is always a good quarter for factoring, so we get those commissions. I think Edgeview will

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have a better-than-projected quarter, and I think that fees for corporate finance will probably be better than where they were in the the last half of the third quarter, with some projection of improved conditions in the syndicated loan market.

Chris Brendler - *Stifel Nicolaus - Analyst*

One final follow-up if I could. Just in terms of the credit crunch and its impact on your business, any signs of a slowdown as you enter the third quarter or broader economic slowdown?

Jeff Peek - *CIT Group - Chairman, CEO, President*

I think you're seeing it in the big retailers. My comments on where we saw the holiday season going for retai. We started the year at 99% utilization in rail cars. We're at %96, which historically is still above average for the industry, but it is a very interconnected economy, Home-building slows down, and our center beam rail cars become a little bit softer in terms of availability.

Chris Brendler - *Stifel Nicolaus - Analyst*

Okay.

Jeff Peek - *CIT Group - Chairman, CEO, President*

I don't think it is dramatic, but I think we are seeing a gradual slowdown.

Chris Brendler - *Stifel Nicolaus - Analyst*

Thanks.

Operator

And now, our next question comes from the line of [David Nedson] with [LGIMA.] Please proceed.

David Nedson - *LGIMA - Analyst*

Have you released the actual fixed charge coverage ratio calculation, what it was, or if you haven't, could you give us an idea of the magnitude of the miss?

Joe Leone - *CIT Group - Vice Chairman, CFO*

No, we did not disclose that yet. Clearly it is below 1.1, and we will disclose that in our 10-Q.

David Nedson - *LGIMA - Analyst*

You've disclosed to the rating agencies, I am assuming, given their comments today regarding your credit [inaudible], is that correct?

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Joe Leone - *CIT Group - Vice Chairman, CFO*

We went over our numbers in detail with the agencies, yes.

David Nedson - *LGIMA - Analyst*

The forward agreement that you've entered into over the next year to fund the preferred and the junior [indiscernible] security, is it automatic or is it triggered by the ratio falling below 1.1? Or if you could describe how that actually gets executed?

Joe Leone - *CIT Group - Vice Chairman, CFO*

The option is ours to sell the stock to the underwriters, whether we reached the trigger or not. But the agreement is there if we do breach the trigger, and that's our intent to use it, if we breach the trigger.

David Nedson - *LGIMA - Analyst*

One last question with all the news of this MLIC, I wanted to understand your perspective as to how it will have impact CIT. Is it a positive in that it provides liquidity overall for the ABC market and therefore it is good for you? Or is it negative, is it only for kind of the club that is putting it together? Is it neutral? Does it really impact you?

Jeff Peek - *CIT Group - Chairman, CEO, President*

I think it is probably a plus. I don't see how it is a negative for us. I think it adds liquidity to the market. Some of the participants that are being talked are also sponsors of the some of the multiseller conduits that we're in, to the extent it gives them liquidity that probably indirectly helps us.

David Nedson - *LGIMA - Analyst*

Thank you.

Operator

Our next question comes from the line of Howard Shapiro with FPK. Please proceed.

Howard Shapiro - *Fox-Pitt, Kelton Inc. - Analyst*

Hi. I wondered if I could just ask you a strategic question. It seems pretty certain that you have adequate liquidity through year-end. It probably sounds like even into 2008. But I think you would admit that the fact that you're predominantly market-based in terms of your financing is an a Achilles' heel for you. And I am wondering if you've given any strategic thought to ind of solving that problem over the long-term. I am not sure what that would be be, either maybe buying some kind of a small bank or maybe a strategic sale of the company. I am just wondering if you could give us what your thoughts are on your funding vulnerability. Thanks.

Jeff Peek - *CIT Group - Chairman, CEO, President*

Sure. We think about that in terms of the model all the time. One aspect of our thought on that was kind of our bank [light] strategy, which is to grow the deposits in our Utah bank as rapidly as we could, and we've done a reasonable job of that. I think

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we're getting '06 deposits there were about $300 million. And I think today, they're about $2.7 billion down from $3 billion at the high. Our goal there would be to get that to 10% of liabilities, and we're working on that. The broader strategic question about some sort of bank transaction, we think about that all the time. The sun and the moon and the stars haven't particularly been aligned on that topic for us, but it is certainly a centerpiece of our ongoing strategy.

Howard Shapiro - *Fox-Pitt, Kelton Inc. - Analyst*

Okay. Thanks.

Operator

Our next question comes from the line of Don Jones with Credit Suisse. Please proceed.

Don Jones - *Credit Suisse - Analyst*

Great. Thank you. I just wanted to get a reminder on how often that covenant test is done for the 1.1 coverage ratio. Is that quarterly?

Joe Leone - *CIT Group - Vice Chairman, CFO*

Yes, that is. That is. Again, just to be clear, because there continues to be confusion on that, and I want to try to be clear. The forward agreement of $80 million covers us for a year's worth of dividend payments on the preferred stock and hybrid instruments we have outstanding. It is totally the company's option as to whether we issue that stock, and that stock, that agreement, is there purely for the use of curing that trigger.

Don Jones - *Credit Suisse - Analyst*

Right, right. Okay. And we have seen all three rating agencies come out earlier today affirming ratings, but have they given guidance as to how comfortable they are with your funding as it may be rather heavily dependent upon secured financing rather than unsecured?

Joe Leone - *CIT Group - Vice Chairman, CFO*

I would refer you to their written reports. We had a very thoruogh review with all the agencies. And I read those reports this morning, and I think there is commentary there. I would prefer that you read that.

Don Jones - *Credit Suisse - Analyst*

Sure. Certainly. Okay. Thank you.

Joe Leone - *CIT Group - Vice Chairman, CFO*

And before the operator turns on to another question, David Hochstim asked a question before. As we look at what we're selling from a 90-day-plus perspective, about 66% of our 90-day past due would be included in the sale of the portfolio that Jeff described, and about just under 60%, I believe, in the 60-day plus category. So, David, hopefully, that's helpful.

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Jeff Peek - *CIT Group - Chairman, CEO, President*

As you can see, what we're trying to do here is kind of ring-fence the exposure, so the fact that the sale that we contracted this week-- We sold the majority of our delinquent loans to a third party, so we want to get that out just as a hedge against further deterioration in the housing market, in the mortgage market. So, for us, that was a big part of the strategy.

Operator

Our next question comes from the line of Sameer Gokhale with KBW. Please proceed.

Sameer Gokhale - *Keefe, Bruyette & Woods - Analyst*

Hi. Thanks. Good morning.

Jeff Peek - *CIT Group - Chairman, CEO, President*

Good morning.

Sameer Gokhale - *Keefe, Bruyette & Woods - Analyst*

I guess I just had a question about the guidance, EPS guidance, that you've previously given. And does that still stand as you've givem into the second half of the year, taking into account the performance of the business in Q3? And also if you could give us a sense for next year. Is it 15% ROE, something that you guys are -- I think you're shooting for it? But in the review given, the performance of several businesses would seem below that threshold. Is that a reasonable goal to assume, given still higher funding costs expected at least the next few quarters? Thanks.

Jeff Peek - *CIT Group - Chairman, CEO, President*

Yes. We don't -- It is not our custom actually to give anything other than annual guidance with the exit from home lending at the second quarter call. We felt that we had to give you some sense of where we were going with that home lending. But what we gave you at the second quarter still stands in our book, in terms of guidance for the second half of the year. It is I much changed environment. It is difficult environment, but we're working very hard to get to 2.60 to 2.70 from recurring operations. Next year, in terms of ROE of 15%, yeah, I think that's a goal for us. Home lending, I think we were over 15% for this quarter.

Sameer Gokhale - *Keefe, Bruyette & Woods - Analyst*

Okay. And just a quick follow-up, Joe. If you could just talk about the provision for credit losses in the corporate and other segment. That seems unclear. That number seem to say flip around from quarter to quarter. Can you just tell us what goes through there?

Jeff Peek - *CIT Group - Chairman, CEO, President*

Yes. What happened this quarter, I think it was in response to Chris Brendler's question, is that when we look at the overall reserve at the top, given the asset growth we saw at the end of the quarter and some of the increase in delinquencies and NPAs, we provisioned higher in corporate. Eventually, as those loans become more severely delinquent and/or will turn towards nonaccrual and charge-offs, those provisions would flip into the segments. In the second quarter, I think there is some transactional

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noise in terms of the sale of the construction portfolio, so the reserves were released, so to speak, or freed up as a result of the sale of construction, so that's why you see the ins and the outs.

Sameer Gokhale - *Keefe, Bruyette & Woods - Analyst*

Okay. That's good. Thank you for the clarification.

Jeff Peek - *CIT Group - Chairman, CEO, President*

I might just say -- There have been a couple of questions on 2008. And we're currently in the middle of our planning process, so we'll have a much better feel on that probably in a month's time from now.

Operator

Our next question comes from the line of Meredith Whitney with CIBC World Markets. Please proceed.

Meredith Whitney - *CIBC World Markets - Analyst*

Good morning. So much for ladies first on the Q&A. But I had a direct question which was -- which is given the dramatic decline in the stock price, what amount of time was spent this week at the board meeting on a possible sale of the company? And from the board's perspective, what type of timetable have they given to turn around the company and to get the stock moving again?

Jeff Peek - *CIT Group - Chairman, CEO, President*

Meredith, our board discussions are really a private matter. And we've been working very hard to try and put the mortgage portfolio behind us and rebuild the balance sheet and focus on the go-forward businesses, and that's what we're working on. And as I said, where the board is is really inside the boardroom.

Meredith Whitney - *CIBC World Markets - Analyst*

Don't you think the shareholders have a right to know, given the decline in the share price, what they're thinking?

Jeff Peek - *CIT Group - Chairman, CEO, President*

I think we're pretty focused on long-term value, and the only thing I would say is the board is fully supportive. We've been through this with them on repeated basis. They're very much up to speed on what's going on.

Meredith Whitney - *CIBC World Markets - Analyst*

Okay. Thanks.

Operator

And now, our next question comes from the line of [Satish Siyu] with Merrill Lynch. Please proceed.

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Satish Siyu - *Merrill Lynch - Analyst*

My questions have been answered. Thank you.

Joe Leone - *CIT Group - Vice Chairman, CFO*

Thank you.

Operator

Our next question comes from the line of Scott O'Donnell with met life. Please proceed.

Scott O'Donnell - *MetLife - Analyst*

Yes. Thank you. Good morning. Quick question. I keep hearing the word ring-fence thrown around related to the mortgage portfolio. And if this was covered earlier, I apologize. I had to drop off the call a couple of times. But I am not wrong in thinking that with respect to the $7.5 billion mortgage portfolio that's now encumbered, the company is still in the first loss position as it pertains to those assets. Is that correct?

Jeff Peek - *CIT Group - Chairman, CEO, President*

That's right. That's right. I think we feel that with the sale of a majority of the delinquent loans and a higher reserve than we had at the end of the second quarter, and the fact that Freddie Mac took almost all of our loans as to underwriting quality, and that, we feel reasonably good about that going forward. And once again, it's service by our own people, and we're very much focused on having them mitigate as much loss pure delinquency, just get as much out of the portfolio as they can, but you're correct in that that exposure on the performing loans stays with us.

Operator

Our next question comes from the line of George Sacco with J.P. Morgan. Please proceed.

George Sacco - *JPMorgan - Analyst*

Hi. You touched on the bank, sort of bank light strategy you have. It is my understanding is you were using the bank to fund the mortgage assets. And I guess, my question is, now, that the mortgage business is being wound down, do you need to get special approval to put new assets or fund new assets, with those deposits? And if so, what assets would you target for that?

Jeff Peek - *CIT Group - Chairman, CEO, President*

We think that vendor, some of the vendor finance assets and also some of the bank loan participations that we generate and purchase would be ideal things to go into the bank, and obviously it is subject to regulatory approval, and those approvals are underway.

George Sacco - *JPMorgan - Analyst*

You are in the process of working on that with the regulators now?

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Jeff Peek - *CIT Group - Chairman, CEO, President*

We are. We are.

George Sacco - *JPMorgan - Analyst*

And I assume that's why deposits have come down a bit from the peak is just because you're sort of in transition with the assets.

Jeff Peek - *CIT Group - Chairman, CEO, President*

Right. Some of them are rolling off, and until we have new assets to go in there, there hasn't really been a need to access that market although it is quite attractive relative to --

George Sacco - *JPMorgan - Analyst*

Yeah, [other than that]-- Exactly. Thank you.

Operator

Our next question comes from the line of Lavon Von Redden from Hockey Capital. Please proceed.

Lavon Von Redden - *Hockey Capital - Analyst*

Joe, I just want to make sure I put the $600 million financing in perspective. If I think about it the right way, is that more of an issue to kind of maintain our ratings? Or is this funding requirement because we have certain debt or whatever maturing currently? Or is this more of a to-grow-the-business type of transaction?

Joe Leone - *CIT Group - Vice Chairman, CFO*

Okay. Good question. The $600 million-- and the reason for doing that relates to, as Jeff said, and I reiterated as well, we want to ensure that we have the strongest capital position to maintain the ratings at the highest level possible, which we got affirmation from the agencies. So, it is a capital raise. Having said that, as I said in response to, I think Matt's Burnell's question, clearly, that gives us $600 million of liquidity that we will use to finance the business in the fourth quarter. Further response to that, as I look at the fourth quarter -- I think Matt asked this -- we continue to think we're going to stay mostly in the secured markets, but we're looking for the unsecured access. Additionally, in the fourth quarter, we have a lot of cash flow from the portfolio on businesses like factoring and our retail businesses in commercial lending. So, asset growth isn't generally the biggest pop in the fourth quarter. Having said that, we see some good opportunities there. So, think about the $600 million as a capital raise.

Lavon Von Redden - *Hockey Capital - Analyst*

Okay. Thanks.

Jeff Peek - *CIT Group - Chairman, CEO, President*

And we have time for one more question.

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Operator

And our final question comes from the line of Robert Gilbert with Standard. Please proceed.

Robert Gilbert - *Standard - Analyst*

Thank you. Of the 9.7 billion that's now held for investment, am I correct that that will no longer need to be mark-to-market, and that the intent is to hold it to maturity? And then, finally, what would the average life of that far portfolio be, please?

Joe Leone - *CIT Group - Vice Chairman, CFO*

The $9.7 billion that's moved to Asset Held for Investment, we would liquidate it over its contractual life. It depends on the prepayment speech you apply to it, depending on the environment we have going forward, but the average life has been in the three-year area or so.

Robert Gilbert - *Standard - Analyst*

Thank you.

Jeff Peek - *CIT Group - Chairman, CEO, President*

I just want to thank everybody for joining us today, and obviously, the questions were quite thoughtful. And we hope that we removed some of the confusion about this morning in terms of what we were trying to do. Just to recap the key messages, our program here has been to try and remove as much uncertainty as we could. We think the home lending solution we put in place works for us. We sold the riskiest paper as a hedge against further deterioration. We still retain the upside, and obviously, we got quite a bit of liquidity out of that. More generally, the liquidity position, we think, has improved quite significantly over the last six weeks. We had about $10 billion of asset-backed issuance. And finally, with the capital raise and the forward commitment to handle future trigger breaches, we're delighted that our ratings have been affirmed. Most importantly, we had solid results in the go-forward businesses for the third quarter and look forward to that in the fourth quarter. I just want to thank the investors for their support, and equally important, all the CIT employees for all their hard work in the third quarter. Thanks very much.

Operator

This concludes your presentation. You may now disconnect and have a great day.

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