CIT GROUP INC
Form 10-Q
May 12, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|X|	Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 *For the quarterly period ended March 31, 2008*	or	|_|	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-31369

CIT GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**65-1051192** (IRS Employer Identification Number)
505 Fifth Avenue, New York, New York (Address of Registrant s principal executive offices)	**10017** (Zip Code)

(212) 771-0505
(Registrant s telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer |X| Accelerated filer |_| Non-accelerated filer |_| Smaller reporting company |_|.

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 under the Securities Exchange Act of 1934. Yes | | No |X|

As of May 2, 2008, there were 282,617,637 shares of the registrant s common stock outstanding.

CONTENTS

Part One Financial Information:

ITEM 1.	**Consolidated Financial Statements**	**2**
	Consolidated Balance Sheets (Unaudited)	**2**
	Consolidated Statements of Income (Unaudited)	**3**
	Consolidated Statement of Stockholders Equity (Unaudited)	**4**
	Consolidated Statements of Cash Flows (Unaudited)	**5**
	Notes to Consolidated Financial Statements	**6-26**
ITEM 2.	**Management s Discussion and Analysis of Financial Condition and Results of Operations**	
	and	
ITEM 3.	**Quantitative and Qualitative Disclosures about Market Risk**	**27-59**
ITEM 4.	**Controls and Procedures**	**59**

Part Two Other Information:

ITEM 1.	**Legal Proceedings**	**60**
ITEM 1A	**Risk Factors**	**60-65**
ITEM 2.	**Unregistered Sales of Equity Securities and Use of Proceeds**	**65**
ITEM 3.	**Defaults Upon Senior Securities**	**66**
ITEM 4.	**Submission of Matters to a Vote of Security Holders**	**66**
ITEM 5.	**Other Information**	**66**
ITEM 6.	**Exhibits**	**66-69**
Signatures		**70**

Table of Contents 1

Part One Financial Information

ITEM 1. Consolidated Financial Statements

CIT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Unaudited) **Assets** (dollars in millions except share data)

	March 31, 2008	December 31, 2007
Financing and leasing assets held for investment:		
Finance receivables, including receivables pledged of $25,014.1 and $24,174.6	$63,538.9	$62,536.5
Reserve for credit losses	(1,121.9)	(831.5)
Net finance receivables	62,417.0	61,705.0
Operating lease equipment, net	12,203.7	12,610.5
Financing and leasing assets held for sale	2,615.7	1,606.0
Cash and cash equivalents, including $1,293.7 and $479.2 restricted	10,340.3	6,792.3
Retained interests in securitizations	1,153.1	1,208.0
Goodwill and intangible assets, net	1,159.5	1,152.5
Other assets	5,834.4	5,539.1
Total Assets	**$95,723.7**	**$90,613.4**

CONSOLIDATED BALANCE SHEETS Liabilities and Stockholders Equity

Debt:		
Commercial paper	$1,338.4	$2,822.3
Variable-rate bank credit facilities	7,300.0	
Variable-rate non-recourse, secured borrowings	19,090.3	17,430.3
Variable-rate senior unsecured notes	18,584.5	19,888.2
Fixed-rate senior unsecured notes	30,668.5	29,477.6
Junior subordinated notes	1,440.0	1,440.0
Total debt	78,421.7	71,058.4
Deposits	2,406.5	2,745.8
Credit balances of factoring clients	3,572.9	4,542.2
Accrued liabilities and payables	4,624.7	5,248.9
Total Liabilities	**89,025.8**	**83,595.3**
Commitments and Contingencies (Note 11)		
Minority interest	**54.3**	**57.5**
Stockholders Equity:		
Preferred stock: $0.01 par value, 100,000,000 authorized		
Issued and outstanding:		
Series A 14,000,000 with a liquidation preference of $25 per share	350.0	350.0
Series B 1,500,000 with a liquidation preference of $100 per share	150.0	150.0
Common stock: $0.01 par value, 600,000,000 authorized		
Issued: 215,044,322 and 214,390,177	2.1	2.1
Outstanding: 191,600,618 and 189,925,903		
Paid-in capital, net of deferred compensation of $16.7 and $34.4	10,367.3	10,453.9
Accumulated deficit	(3,207.0)	(2,949.8)
Accumulated other comprehensive income	152.8	194.8
Less: treasury stock, 23,443,704 and 24,464,574 shares, at cost	(1,171.6)	(1,240.4)

Total Common Stockholders Equity	6,143.6	6,460.6
Total Stockholders Equity	**6,643.6**	**6,960.6**
Total Liabilities and Stockholders Equity	**$95,723.7**	**$90,613.4**

See Notes to Consolidated Financial Statements.

2 CIT GROUP INC

CIT GROUP INC. AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited) (dollars in millions - except per share data)

	Quarters Ended March 31,	
	2008	**2007**
Finance revenue	**$1,682.0**	**$1,617.1**
Interest expense	954.1	873.6
Depreciation on operating lease equipment	294.6	263.6
Net finance revenue	433.3	479.9
Provision for credit losses	464.5	71.1
Net finance revenue, after credit provision	(31.2)	408.8
Valuation allowance for receivables held for sale	140.5	
Net finance revenue, after credit provision and valuation allowance	**(171.7)**	**408.8**
Other income	174.0	328.6
Total net revenue, after valuation allowance	**2.3**	**737.4**
Salaries and general operating expenses	318.0	355.8
Provision for severance and real estate exiting activities	69.1	
Loss on debt and debt-related derivative extinguishments	148.1	139.3
(Loss) income before (benefit) provision for income taxes	(532.9)	242.3
Benefit (provision) for income taxes	294.2	(34.1)
Minority interest, after tax	(11.0)	(0.1)
Net (loss) income before preferred stock dividends	(249.7)	208.1
Preferred stock dividends	(7.5)	(7.5)
Net (loss) income (attributable) available to common stockholders	**$ (257.2)**	**$ 200.6**

Per common share data		
Basic (loss) earnings per share	$ (1.35)	$ 1.03
Diluted (loss) earnings per share	$ (1.35)	$ 1.01
Number of shares - basic (thousands)	191,091	194,099
Number of shares - diluted (thousands)	191,091	197,922
Dividends per common share	$ 0.25	$ 0.25

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity (Unaudited) (dollars in millions)

	Preferred Stock	Common Stock	Paid-in Capital	Accumulated (Deficit) / Earnings	Accumulated Other Comprehensive Income / (Loss)	Treasury Stock	Total Stockholders Equity
December 31, 2007	**$500.0**	**$2.1**	**$10,453.9**	**$(2,949.8)**	**$194.8**	**$(1,240.4)**	**$6,960.6**
Net loss before preferred stock dividends				(249.7)			(249.7)
Foreign currency translation adjustments					(7.3)		(7.3)
Change in fair values of derivatives qualifying as cash flow hedges					(25.3)		(25.3)
Unrealized loss on available for sale equity and securitization investments, net					(4.0)		(4.0)
Minimum pension liability adjustment					(5.4)		(5.4)
Total comprehensive (loss)							**(291.7)**
Cash dividends common			(48.2)				(48.2)
Cash dividends preferred				(7.5)			(7.5)
Restricted stock expense			(6.8)				(6.8)
Stock option expense			5.3				5.3
Issuance of stock			(33.8)			65.0	31.2
Employee stock purchase plan participation			(3.1)			3.8	0.7
March 31, 2008	**$500.0**	**$2.1**	**$10,367.3**	**$(3,207.0)**	**$152.8**	**$(1,171.6)**	**$6,643.6**

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)
Quarters Ended March 31, (dollars in millions)

	2008	2007
Cash Flows From Operations		
Net (loss) income before preferred stock dividends	$ (249.7)	$ 208.1
Adjustments to reconcile net (loss) income to net cash flows from operations:		
Depreciation, amortization and accretion	334.8	292.2
Gains on equipment, receivable and investment sales	(56.9)	(72.9)
Valuation allowance for receivables held for sale	140.5	
Loss on debt and debt-related derivative extinguishments	148.1	139.3
Provision for credit losses	464.5	71.1
(Benefit) provision for deferred federal income taxes	(351.8)	44.1
Share-based compensation amortization		17.5
Decrease (increase) in finance receivables held for sale	40.6	(211.9)
Decrease in other assets	79.6	52.3
(Decrease) in accrued liabilities and payables	(322.9)	(84.3)
Net cash flows provided by operations	226.8	455.5
Cash Flows From Investing Activities		
Finance receivables extended and purchased	(17,002.0)	(17,979.5)
Principal collections of finance receivables and investments	13,972.9	13,613.7
Proceeds from asset and receivable sales	627.9	1,038.3
Purchases of assets to be leased and other equipment	(660.4)	(696.2)
Acquisitions, net of cash acquired		(1,835.6)
Net (increase) in short-term factoring receivables	(634.6)	(200.2)
Net cash flows (used for) investing activities	(3,696.2)	(6,059.5)
Cash Flows From Financing Activities		
Net decrease in commercial paper	(1,483.9)	(103.6)
Proceeds from the issuance of term debt and bank credit facilities	10,539.5	6,971.5
Repayments of term debt	(2,540.2)	(2,291.9)
Net (decrease) increase in deposits	(339.3)	569.7
Net repayments of non-recourse leveraged lease debt	(4.3)	(22.4)
Collection of security deposits and maintenance funds	754.4	326.9
Repayment of security deposits and maintenance funds	(677.7)	(282.4)
Cash dividends paid	(55.7)	(58.9)
Treasury stock issuances	31.2	79.3
Treasury stock repurchases		(498.4)
Excess tax benefit related to share-based compensation		17.6
Other	(21.1)	(62.6)

Net cash flows provided by financing activities	6,202.9	4,644.8
Net increase (decrease) in cash and cash equivalents	2,733.5	(959.2)
Unrestricted cash and cash equivalents, beginning of period	6,313.1	4,279.4
Unrestricted cash and cash equivalents, end of period	**$ 9,046.6**	**$ 3,320.2**
Supplementary Cash Flow Disclosure		
Interest paid	$ 805.2	$ 656.4
Federal, foreign, state and local income taxes paid, net	$ 1.0	$ 84.2

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of CIT Group Inc. and its majority owned subsidiaries (CIT or the Company), and those variable interest entities (VIEs) where the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. Results of operations of companies purchased are included from the dates of acquisition and for VIEs, from the dates that the Company became the primary beneficiary. Assets held in an agency or fiduciary capacity are not included in the consolidated financial statements. The Company accounts for investments in companies for which it owns a voting interest of 20 percent to 50 percent and for which it has the ability to exercise significant influence over operations and financial decisions using the equity method of accounting. These investments are included in other assets and the Company s proportionate share of net income or loss is included in other income.

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates and assumptions. These financial statements have been prepared in accordance with the instructions to Form 10-Q, do not include all of the information and note disclosures required by accounting principles generally accepted in the United States (GAAP) and should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2007. The financial statements in this Form 10-Q have not been audited by an independent registered public accounting firm in accordance with the standards of the Public Company Accounting Oversight Board (U.S.), but in the opinion of management include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of CIT s financial position, results of operations and cash flows. Certain prior period amounts have been conformed to the current year presentation including cash flow balances and the balance sheet presentation of derivative counterparty receivables and payables detailed in the following sections.

Commencing with the presentation of the Consolidated Statements of Cash Flows for the nine months ended September 30, 2007, the Company revised the classification of cash flow changes in security deposits and aerospace equipment maintenance funds and included these amounts as separate line items within Cash Flows from Financing Activities . Previously, these changes had been included in the line item Increase (decrease) in accrued liabilities and payables in Cash Flows from Operations . The effect of this revision to the previously issued 2007 cash flow statement is a reduction of $44.5 million and corresponding increase in cash flows from financing activities.

Liquidity and Capital

The success and profitability of the Company s business depends upon access to the debt capital markets to provide liquidity and efficient funding for profitable asset growth. These markets have exhibited heightened volatility and dramatically reduced liquidity. Liquidity in the debt capital markets has become significantly more constrained and interest rates available to the Company have increased significantly relative to benchmark rates, such as U.S. treasury securities and LIBOR. Recent downgrades in the Company s short and long-term credit ratings had the practical effect of leaving the Company without current access to the A1/P1 prime commercial paper market, a historical source of liquidity, and necessitated the Company s recent action to fully draw down its $7.3 billion of bank credit facilities. As a result of these developments, the Company is not currently accessing the commercial paper and unsecured term debt markets and has shifted funding sources over the past year primarily to asset-backed securities and other secured credit facilities, including both on-balance sheet and off-balance sheet securitizations. While secured financing may provide funding at an acceptable cost in the current market for many of the Company s businesses, for some businesses, secured funding is significantly less efficient and more costly than unsecured debt facilities have been historically.

In April and May 2008, the Company issued common and preferred stock for proceeds totaling approximately $1.535 billion (prior to expenses) (see Note 19) and announced a 60% reduction in the quarterly common stock dividend. Additional measures approved by the Company s Board of Directors and designed to enhance the Company s capital and liquidity position, include the following:

- second quarter 2008 sale of $1.4 billion of asset-backed loans and $3.2 billion of related commitments;
- sale of $770 million of commercial aircraft, of which $300 million closed in the first quarter of 2008;
- identification of an additional $2 billion in assets to be financed or sold; and
- evaluation of strategic alternatives for the Company s $4 billion rail leasing business.

The liquidity and capital enhancement measures described above are designed to restore, over time, the Company s access to competitively-priced unsecured term debt markets and the commercial paper market and, in turn, to restore the Company to profitability. These initiatives are subject to a number of uncertainties, and there can be no assurance that any or all of them will be undertaken and if undertaken, successfully completed. Further, if any or all of these measures are undertaken, they may not achieve their anticipated benefits. Management s failure to successfully implement its liquidity and capital enhancement measures could have a material adverse effect on the Company s financial position, results of operations and cashflows.

Fair Value Measurements

Effective January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements , which defines fair value, establishes a framework for measuring fair value under GAAP, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between two market participants on the measurement date. The impact of adopting SFAS No. 157 on accumulated deficit at January 1, 2008 was not material. Subsequent changes in the fair value of financial assets and liabilities are recognized in earnings as they occur.

The Company determines the fair value of its assets and liabilities based on the fair value hierarchy established in SFAS 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain other securities that are highly liquid and are actively traded in over-the-counter markets;

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes derivative contracts and certain loans held-for-sale;

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using valuation models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes retained residual interests in securitizations, highly structured or long-term derivative contracts and collateralized loan obligations (CLO) where independent pricing information is not able to be obtained for a significant portion of the underlying assets or liabilities.

A financial instrument s level within the fair value hierarchy is based on the lowest ranking of any input that is significant to the fair value measurement.

The Company did not elect to measure any financial instruments at fair value under SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities.

Effective January 1, 2008, the Company adopted FASB Staff Position FIN 39-1 (FSP FIN 39-1), an amendment to FASB Interpretation No. 39, which allows for the accounting policy election to offset fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement. In conjunction with this adoption, the Company has elected to present assets and liabilities on a gross-by-counterparty basis. Assets and liabilities, as previously reported at December 31, 2007, were reflected on a net-by-counterparty basis for transactions settled in the same currency. Accordingly, other assets and accrued liabilities and payables as of December 31, 2007 were each increased by $365.4 million from amounts previously reported in order to conform to the current presentation.

New Accounting Pronouncements

On March 19, 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment to FASB No. 133 (SFAS 161). SFAS 161 requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Company s financial position, financial performance and cashflows. SFAS 161 also clarifies that derivatives are subject to credit risk disclosures as required by SFAS 107, Disclosures about Fair Value of Financial Instruments. SFAS 161 is effective for the year beginning January 1, 2009. The adoption of SFAS 161 will not impact the Company s financial condition and results of operations.

On December 4, 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R modifies the accounting for business combinations and requires, with limited exceptions, the acquiring entity in a business combination to recognize 100 percent of the assets acquired, liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date fair value. In addition, SFAS 141R limits the recognition of acquisition-related restructuring liabilities, requires the expensing of acquisition-related and restructuring costs and the acquirer to record contingent consideration measured at the acquisition date fair value. SFAS 141R is effective for new acquisitions consummated on or after January 1, 2009. Early adoption of SFAS 141R is not permitted. The Company is currently evaluating the effect of this standard.

On December 4, 2007, the FASB also issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160). SFAS 160 requires all entities to report noncontrolling (i.e. minority) interests in subsidiaries as equity in the Consolidated Financial Statements and to account for transactions between an entity and noncontrolling owners as equity transactions if the parent retains its controlling financial interest in the subsidiary. SFAS 160 also requires expanded disclosure that distinguishes between the interests of a parent s owners and the interests of noncontrolling owners of a subsidiary. SFAS 160 is effective for the Company s financial statements for the year beginning on January 1, 2009 and early adoption is not permitted. The adoption of SFAS 160 is not expected to have a material impact on the Company s financial condition and results of operations.

NOTE 2 FINANCING AND LEASING ASSETS

The following table summarizes the assets pledged/encumbered. With the exception of the rail assets, pledged assets are classified as finance receivables. These amounts do not include non-recourse borrowings related to leveraged lease transactions. Unencumbered financing and leasing assets totaled $52,081.2 million and $52,578.5 million at March 31, 2008 and December 31, 2007.

Pledged or Encumbered Financing and Leasing Assets (dollars in millions)

	March 31, 2008	December 31, 2007
Consumer (student lending)	$ 9,732.3	$ 9,079.4
Home Lending	6,614.0	7,074.3
Trade Finance (factoring)[1]	5,975.3	5,897.5
Vendor Finance (acquisition financing)	1,354.0	1,491.3
Corporate Finance[2]	1,076.4	370.0
Corporate Finance (energy project finance)	262.1	262.1
Subtotal Finance Receivables	25,014.1	24,174.6
Transportation Finance Rail[3]	1,263.0	
Total Financing and Leasing Assets	$26,277.1	$24,174.6

(1) *Excludes credit balances of factoring clients.*

(2) *Includes financing executed via total return swaps (whereby CIT receives periodic payments based on the performance of the underlying loans and makes periodic payments based on interest indices), under which CIT retains control of and the full risk related to, these loans.*

(3) *Equipment under operating lease*

On June 30, 2007 the Company determined that its home lending receivables portfolio no longer qualified as assets held for investment. Subsequently, management determined an orderly run-off of a substantial portion of the Company s home lending receivables portfolio, rather than a sale was preferable and $9.7 billion in then remaining unpaid principal balance (UPB) was transferred at the lower of cost or market from assets held for sale to assets held for investment. Consistent with management s determination to hold certain assets for the foreseeable future, the Company segregated $7.2 billion UPB of the $9.7 billion portfolio in a bankruptcy-remote vehicle and issued $5.2 billion of securities as on-balance sheet, non-recourse secured financings. These financing transactions encumber the assets for their remaining lives, as the terms of the securitizations do not permit the Company to withdraw assets from the securitization vehicles or to substitute comparable assets. The securities in these on-balance sheet financing (securitization) transactions were structured into separate credit tranches and rated AAA through BBB-. The $5.2 billion private placement of securities sold to investors was comprised entirely of the AAA components of the structure. The $6.6 billion of home lending loans at March 31, 2008 in the preceding table remains encumbered by these transactions.

At September 30, 2007, the Company transferred assets from held for sale (HFS) to held for investment (HFI) at the lower of cost or market at the time of transfer. The portion of the accumulated valuation allowance related to loans transferred from HFS to HFI at September 30 is accounted for as accretable discount for periods after September 30, 2007. In the first quarter of 2008, the Company transferred approximately $482 million (contractual unpaid principal balance) of remaining manufactured housing loans from HFS to HFI. The cumulative unaccreted discount included in the carrying value of loans held for investment was $409 million and $453 million at March 31, 2008 and December 31, 2007.

In the quarter ended March 31, 2008, the Company identified $1.4 billion of Corporate Finance funded asset-based loan commitments for sale in the second quarter, and $500 million of commercial aerospace assets for sale in 2008 in conjunction with management s plan to sell additional aircraft. Accordingly, such assets are included in financing and leasing assets held for sale.

See *Note 6 Debt* for variable-rate non-recourse secured borrowing balances.

NOTE 3 RESERVE FOR CREDIT LOSSES

The following table presents changes in the reserve for credit losses.

At or for the Quarters Ended March 31, (dollars in millions)

	2008	2007
Balance, beginning of period	$831.5	$659.3
Provision for credit losses commercial segments (1)	97.1	27.9
Provision for credit losses consumer segments	367.4	43.2
Reserve changes relating to foreign currency translation,		

acquisitions, other	(8.2)	30.8
Net additions to the reserve for credit losses	456.3	101.9
Charged-off - finance receivables	(180.8)	(103.3)
Recoveries on finance receivables previously charged-off	14.9	46.1
Net credit losses	(165.9)	(57.2)
Balance, end of period	$1,121.9	$704.0

(1) *Including Corporate and Other*

NOTE 4 CONCENTRATIONS

The following table summarizes the geographic and industry compositions (by obligor) of owned financing and leasing assets and other equity investments.

Concentrations (dollars in millions)

	March 31, 2008		December 31, 2007	
	Amount	**Percent**	**Amount**	**Percent**
Geographic				
Northeast	$14,418.2	18.3%	$14,530.2	18.9%
West	12,704.9	16.2%	12,893.0	16.7%
Midwest	13,051.3	16.6%	12,769.5	16.6%
Southeast	10,716.8	13.6%	10,209.1	13.3%
Southwest	7,015.0	8.9%	6,659.0	8.7%
Total U.S.	57,906.2	73.6%	57,060.8	74.2%
Canada	4,762.2	6.1%	4,841.1	6.3%
Other international	15,923.5	20.3%	15,016.9	19.5%
Total	$78,591.9	100.0%	$76,918.8	100.0%
Industry				
Student lending(1)	$12,561.9	16.0%	$11,584.9	15.1%
Manufacturing(2)	10,031.2	12.8%	9,923.5	12.9%
Commercial airlines (including regional airlines)	8,824.9	11.2%	8,625.8	11.2%
Home mortgage(3)(6)	8,642.4	11.0%	9,010.4	11.7%
Retail(4)	6,897.7	8.8%	7,225.6	9.4%
Service industries	4,932.1	6.3%	5,282.7	6.9%

Healthcare	4,199.5	5.3%	4,223.1	5.5%
Transportation[5]	3,192.0	4.1%	3,138.8	4.1%
Wholesaling	2,076.4	2.6%	1,889.9	2.5%
Communications	1,757.3	2.2%	1,625.3	2.1%
Other (no industry greater than 2.0%)	15,476.5	19.7%	14,388.8	18.6%
Total	$78,591.9	100.0%	$76,918.8	100.0%

(1) *Includes Private (non-government guaranteed) loans of $734.4 million and $599.3 million at March 31, 2008 and December 31, 2007. Loans to students at the top 5 institutions, based on outstanding exposure, represent approximately 50% of the private loan portfolio on a UPB basis.*

(2) *Includes manufacturers of apparel (1.8%), followed by food and kindred products, steel and metal products, transportation equipment, industrial machinery and equipment, electronic equipment, textiles, printing and other industries.*

(3) *Includes receivables from customers for products in manufactured housing.*

(4) *Includes retailers of apparel (3.3%) and general merchandise (3.3%).*

(5) *Includes rail, bus, over-the-road trucking industries and business aircraft.*

(6) *Geographic concentrations by region for home lending include $1.9 billion northeast, $1.5 billion midwest, $2.6 billion west, $1.9 billion southeast and $0.7 billion southwest. The top 5 states include California ($1.6 billion), Florida ($0.8 billion), New York ($0.6 billion), Illinois ($0.5 billion), and Texas ($0.5 billion).*

NOTE 5 RETAINED INTERESTS IN SECURITIZATIONS

The following table details the components of retained interests in securitizations.

Retained Interests in Securitizations (dollars in millions)

	March 31, 2008	December 31, 2007
Retained interests in loans other than home lending:		
Retained subordinated securities[1]	$ 556.4	$ 500.5
Interest-only strips	332.3	426.0
Cash reserve accounts	241.2	251.0
Sub-total	1,129.9	1,177.5
Retained interests in home lending loans:		
Retained subordinated securities	21.9	26.4
Interest-only strips	1.3	4.1
Sub-total	23.2	30.5
Total retained interests in securitizations	$1,153.1	$1,208.0

(1) *Includes $6.8 million in a collateralized loan obligation for both periods.*

Retained subordinated securities, which create over-collateralization for more senior securities, represent the discounted cash flows expected to be realized by CIT from the principal balance of the finance receivables in the trusts/conduits in excess of the principal balance of the debt issued by such trusts/conduits, after taking into account expected losses.

Interest-only strips represent the discounted cash flows expected to be realized by CIT from the interest on the finance receivables in the trusts/conduits in excess of the interest expense on the debt issued by such trusts/conduits, to the extent the excess spread is not utilized to cover expected losses in the portfolios and servicing fees and expenses.

Cash reserve accounts represent the discounted cash flows expected to be realized by CIT from cash reserves placed with the trusts/conduits by CIT to the extent the reserves are not utilized to cover expected losses in the portfolios.

During the quarter the Company recorded a pretax $40 million impairment charge, largely reflecting the repricing of debt underlying a securitization conduit vehicle in the Vendor Finance segment that was triggered by the sale of CIT s joint venture equity interest of which $33 million should have been recorded concurrently with the 2007 fourth quarter sale of its Dell Financial Services joint venture equity interest.

NOTE 6 DEBT

Commercial paper declined to $1.3 billion at March 31, 2008 from $2.8 billion at December 31, 2007. Recent downgrades in the Company s short and long-term credit ratings had the practical effect of leaving the Company without current access to the A1/P1 rated commercial paper market, a historical source of liquidity, and necessitated the Company s recent action to fully draw down its bank credit facilities. Given the draw on the bank lines and the credit ratings downgrades, the Company is no longer accessing the prime (A-1/P-1 rated) commercial paper markets and expects to repay, prior to December 31, 2008, all outstanding commercial paper.

The following table includes information relating to these bank line facilities.

Bank Lines Drawn (dollars in millions)

Maturity Date	Original Term	# of Banks	Total Facility Amount
October 10, 2008	5 Year	27	$2,100
April 14, 2009	5 Year	33	2,100
April 13, 2010	5 Year	30	2,100
December 6, 2011	5 Year	37	1,000
			$7,300

Interest on each of these facilities is based on a credit ratings grid, with the interest rate measured as a spread in basis points over LIBOR, increasing if the Company s credit ratings decrease. At the Company s current ratings, the total weighted average interest rate approximates LIBOR plus 50 basis points. At the lowest credit rating, the weighted average rate would not exceed LIBOR plus 100 bps. The individual low and high rates, depending on the Company s credit ratings, are LIBOR plus 29 bps and LIBOR plus 120 bps. The maturities of these facilities reflect the date upon which the Company must repay the outstanding balance, with no option to extend the term for repayment.

Variable-rate non-recourse secured borrowings increased to $19.1 billion at March 31, 2008 from $17.4 billion at December 31, 2007. See *Note 2 Financing and Leasing Assets* for encumbered financing and leasing asset balances. The new borrowings of $2.7 billion have a weighted average cost of approximately LIBOR plus 100 to 125 basis points. Secured financing maturities of $1.0 billion were repaid during the quarter. The following table summarizes the secured borrowings by type of collateral.

Variable-rate Non-recourse Secured Borrowings Summary (dollars in millions)

	March 31, 2008	December 31, 2007
Consumer (student lending)	$ 9,812.9	$ 9,437.5
Home Lending	4,652.7	4,785.9
Trade Finance (factoring receivable)*(1)*	1,294.0	1,262.5
Vendor Finance (acquisition financing)	1,246.8	1,312.3
Transportation Finance Rail	850.0	
Corporate Finance*(2)*	971.8	370.0
Corporate Finance (energy project finance)	262.1	262.1
Total	$19,090.3	$17,430.3

(1) *Excludes credit balances of factoring clients.*

(2) *Includes financing executed via total return swaps, under which CIT retains control of, and the full risk related to, these loans.*

During the quarter ended March 31, 2008, the Company issued approximately $600 million in unsecured retail notes with a weighted average term of 3 years at a weighted average coupon of 6.75% and repaid maturing unsecured term debt of $1.6 billion.

NOTE 7 DERIVATIVE FINANCIAL INSTRUMENTS

The Company executes derivative transactions to hedge economic exposures. The majority of these transactions qualify for hedge accounting.

The fair value of the Company s derivative contracts is reflected net of cash paid or received pursuant to credit support agreements and is reported on a gross-by-counterparty basis in the Company s consolidated statements of financial condition at March 31, 2008. The amounts as of December 31, 2007 have been conformed to the current presentation. The fair value of derivative financial instruments is set forth below:

Fair Value of Derivative Financial Instruments (dollars in millions)

	March 31, 2008		December 31, 2007	
	Assets	Liabilities	Assets	Liabilities
Cross currency swaps	$1,244.3	$ (0.8)	$ 856.0	$ (0.5)
Interest rate swaps	308.5	(349.0)	312.4	(407.9)
Foreign currency forward exchange contracts	182.1	(437.9)	194.9	(493.0)

Derivatives qualifying as SFAS 133 hedges	1,734.9	(787.7)	1,363.3	(901.4)
Non-qualifying derivatives	259.9	(308.1)	99.1	(129.8)
Total	$1,994.8	$(1,095.8)	$1,462.4	$(1,031.2)

The following table presents additional information regarding qualifying SFAS 133 hedges, specifically the notional principal value of interest rate swaps by class and the corresponding hedged positions.

Interest Rate Swaps (dollars in millions)

March 31, 2008	December 31, 2007	Hedged Item	Classification
Variable rate to fixed rate swaps*(1)*			
$ 8,252.3	$ 9,744.8	Cash flow variability associated with specific variable-rate debt	Cash flow
	1,796.9	Cash flow variability related to forecasted commercial paper issuances	Cash flow
$ 8,252.3	$11,541.7		
Fixed rate to variable rate swaps*(2)*			
$11,625.1	$12,920.9	Specific fixed rate debt	Fair value

(1) *CIT pays a fixed rate of interest and receives a variable rate of interest. These swaps hedge the cash flow variability associated with forecasted commercial paper and specific variable rate debt.*
(2) *CIT pays a variable rate of interest and receives a fixed rate of interest. These swaps hedge specific fixed rate debt instruments.*

During the quarter ended March 31, 2008, hedge accounting was discontinued with respect to the commercial paper program and the related variable to fixed rate swaps. In addition, to maintain the Company s overall interest sensitivity position, hedge accounting was also discontinued on a similar notional amount of fixed rate to variable rate swaps, with essentially offsetting economics, which previously hedged specific fixed rate debt. All of these swaps were terminated in the second quarter of 2008.

The following table presents the notional principal amounts of cross-currency swaps by class and the corresponding hedged positions.

Cross-currency Swaps (notional dollars in millions)

March 31, 2008	December 31, 2007	Hedged Item	Hedge Classification	Description

$4,026.5	$4,026.5	Foreign denominated debt	Foreign currency fair value	CIT pays a U.S. variable rate of interest and receives a variable foreign rate of interest. These swaps hedge the fair value changes in foreign currency associated with specific foreign denominated debt and are designated as foreign currency fair value hedges.
249.5	249.5	Foreign denominated fixed-rate debt	Foreign currency cash flow	CIT pays a U.S. fixed rate of interest and receives a fixed foreign rate of interest. These swaps hedge the currency and interest rate cash flow variability associated with payments on specific foreign denominated fixed rate debt and are designated as foreign currency cash flow hedges.
4.3	27.6	Foreign currency loans to subsidiaries	Foreign currency cash flow	CIT receives a U.S. fixed rate of interest and pays a fixed foreign rate of interest. These swaps hedge the currency cash flow variability associated with payments on specific fixed-rate foreign denominated inter-company receivables and are designated as foreign currency cash flow hedges.
$4,280.3	$4,303.6			

CIT sells various foreign currencies forward. These contracts are designated as either cash flow hedges of specific foreign denominated inter-company receivables or as net investment hedges of foreign denominated investments in subsidiaries. The following table presents the notional principal amounts of foreign currency forward exchange contracts and the corresponding hedged positions.

Foreign Currency Forward Exchange Contracts (notional dollars in millions)

March 31, 2008	December 31, 2007	Hedged Item	Hedge Classification
$3,897.1	$3,853.8	Foreign currency equity investments in subsidiaries	Foreign currency net investment
1,537.2	1,394.4	Foreign currency loans to subsidiaries	Foreign currency cash flow
$5,434.3	$5,248.2		

The table that follows summarizes the nature and notional amount of economic hedges that do not qualify for hedge accounting under SFAS 133.

Non-hedge Accounting Derivatives (notional dollars in millions)

March 31, 2008	December 31, 2007	Type of Swaps/ Caps

$19,459.8	$17,564.1	US dollar interest rate swaps
4,102.0	3,184.1	Interest rate caps
401.3	349.6	Cross-currency swaps
350.1	254.4	Foreign currency interest rate swaps
148.0	168.0	Credit default swaps
$24,461.2	$21,520.2	

The U.S. dollar interest rate swaps included in the table above relates to the following: (1) $9.4 billion at March 31, 2008 and $10.7 billion at December 31, 2007 in notional amount of interest rate swaps executed in conjunction with the 2007 third quarter on balance sheet securitization of home lending receivables, whereby CIT entered into offsetting swap transactions with the bankruptcy remote securitization trust formed for the transaction and with a third party commercial bank, each totaling approximately $4.7 billion and $5.3 billion in notional amount at March 31, 2008 and December 31, 2007 (2) $2.9 billion at March 31, 2008 and $2.5 billion at December 31, 2007 in notional amount of interest rate swaps related to customer derivative programs and (3) $3.0 billion of U.S. dollar interest rate swaps hedging the commercial paper program and certain fixed rate debt, for which hedge accounting was discontinued in the first quarter of 2008. CIT has also extended $4.0 billion at March 31, 2008 and $3.2 billion at December 31, 2007 in interest rate caps in connection with its customer derivative program. The notional amounts of derivatives related to the customer program include both derivative transactions with CIT customers, as well as offsetting transactions with third parties with like notional amounts and terms.

CIT also has certain cross-currency swaps, certain U.S. and Canadian dollar interest rate swaps, and interest rate caps that are economic hedges of certain interest rate and foreign currency exposures.

CIT has entered into credit default swaps, with original terms of 5 years, to economically hedge certain CIT credit exposures.

In addition to the amount in the preceding table, CIT had $2.1 billion and $2.0 in notional amount of interest rate swaps outstanding with securitization trusts at March 31, 2008 and December 31, 2007 to insulate the trusts against interest rate risk. CIT entered into offsetting swap transactions with third parties totaling $2.1 billion and $2.0 billion in notional amount at March 31, 2008 and December 31, 2007 to insulate the Company from the related interest rate risk.

Hedge ineffectiveness occurs in certain cash flow hedges, and was recorded as either an increase or decrease to interest expense as presented in the following table. Ineffectiveness for the quarter ended March 31, 2007 related to interest rate swaps hedging the commercial paper program. Hedge accounting for this program was discontinued in the first quarter of 2008.

Hedge Ineffectiveness (dollars in millions)

	Ineffectiveness	Increase/ Decrease to Interest Expense
Quarter ended March 31, 2008	$	N/A
Quarter ended March 31, 2007	$0.1	Decrease

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table details the components of accumulated other comprehensive income, net of tax.

Accumulated Other Comprehensive Income (dollars in millions)

	March 31, 2008	December 31, 2007
Foreign currency translation adjustments	$311.8	$319.1
Changes in fair values of derivatives qualifying as cash flow hedges	(121.9)	(96.6)
Benefit plan net (loss) and prior service (cost), net of tax	(41.0)	(35.6)
Unrealized gain on available for sale equity and securitization investments	3.9	7.9
Total accumulated other comprehensive income	$152.8	$194.8

The