

**RESPONSES TO THE REQUEST FOR ADDITIONAL INFORMATION
DATED NOVEMBER 24, 2014
FROM THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
IN CONNECTION WITH THE
APPLICATION
TO THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
RELATING TO THE PROPOSED ACQUISITION OF
IMB HOLDCO LLC
BY
CIT GROUP INC.
AND
CARBON MERGER SUB LLC**

December 23, 2014

Responses to the Request for Additional Information, dated November 24, 2014, from the Board of Governors of the Federal Reserve System¹

- 1. From the following activities, identify those in which either CIT Group, Inc. or its subsidiaries (“CIT”) or IMB Holdco LLC or its subsidiaries (“IMB”) is involved. To the extent not already provided in the applications, describe the nature of the activities and provide dollar volumes for CIT and IMB, and include any available information relating to the national market share of CIT and IMB, along with a brief description of other firms that engage in the same activity in the United States. You may confine your responses to information that is maintained in the regular course of business.**

a. Holding assets under custody;

Neither CIT nor IMB engages in this activity.

b. Provision of short-term funding through bilateral repurchase agreements;

Neither CIT nor IMB engages in this activity.

c. Provision of short-term funding in the tri-party repo market;

As of September 30, 2014, CIT held \$650 million in securities purchased under agreements to resell.² CIT Group began executing short-term (up to 3-month) reverse repo transactions in July 2014 with up to four counterparty dealers. These dealers are Deutsche Bank Securities, Morgan Stanley & Co., Nomura Securities Int’l and Jefferies, and the tri-party custodian is the Bank of New York Mellon. CIT understands that at least most major banks participate in this market. CIT understands the size of the tri-party repo market to be between \$1 and \$2 trillion.³ Based on these figures, CIT’s activities represent a de minimis share of the tri-party repo market.

IMB does not engage in this activity.⁴

d. Provision of prime brokerage services;

Neither CIT nor IMB engages in this activity.

e. Provision of short-term lines of credit to financial firms;

Neither CIT nor IMB engages in this activity.

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

² CIT Group FR Y-9C, HC, Line 3b. References herein to CIT’s or IMB’s FR Y-9C are to their respective September 30, 2014 FR Y-9C.

³ WHAT’S BEHIND THE DECLINE IN TRI-PARTY REPO TRADING VOLUMES, FEDERAL RESERVE BANK OF CLEVELAND (April 3, 2014), available at <http://www.clevelandfed.org/research/trends/2014/0414/01banfin.cfm>.

⁴ Information included in this response regarding IMB/OneWest and CWB was provided to the Applicants by OneWest.

f. Securities lending;

Neither CIT nor IMB engages in this activity.

g. Lending in the Fed funds market;

As of September 30, 2014, CIT had \$33 million in federal funds sold in domestic offices.⁵

The Applicants understand the federal funds market to be greater than \$60 billion.⁶ Based on this figure, CITB's activities represent a de minimis share of the federal funds market. Numerous major banks are sellers of federal funds based on data reported by banks in call reports, including Capital One, Wells Fargo, Bank of New York Mellon, Bremer Bank, J.P. Morgan, United Bank and Zions.

IMB does not engage in this activity.

h. Provision of bond and equity underwriting services in any of the following markets:

i. Commercial paper;

Neither CIT nor IMB engages in this activity.

ii. Asset-backed commercial paper;

Neither CIT nor IMB engages in this activity.

iii. Corporate bonds;

Neither CIT nor IMB engages in this activity.

iv. High-yield bonds;

Neither CIT nor IMB engages in this activity.

v. Municipal bonds;

Neither CIT nor IMB engages in this activity.

vi. U.S. Agency debt;

Neither CIT nor IMB engages in this activity.

vii. U.S. Agency mortgage backed securities;

Neither CIT nor IMB engages in this activity.

viii. Private label asset backed securities;

Neither CIT nor IMB engages in this activity.

⁵ CIT Group FR Y-9C, HC, Line 3a.

⁶ See WHO'S BORROWING IN THE FED FUNDS MARKET, LIBERTY STREET ECONOMICS, FEDERAL RESERVE BANK OF NEW YORK (December 9, 2013) (stating that FBOs borrowed close to \$30 billion, accounting for 42 percent of the fed funds traded in the market), available at <http://libertystreeteconomics.newyorkfed.org/2013/12/whos-borrowing-in-the-fed-funds-market.htm#.Vljat3wuEU>.

ix. Seasoned offerings; or

Neither CIT nor IMB engages in this activity.

x. Initial public offerings;

Neither CIT nor IMB engages in this activity.

i. Tri-party repo dealing;

Neither CIT nor IMB engages in this activity.

j. Clearing and settlement;

Neither CIT nor IMB engages in this activity.

k. Provision of business credit in any of the following markets:

i. Commercial and industrial lending;

As described in the Application, each of CIT and IMB engages in C&I lending. As of September 30, 2014, CIT held approximately \$11.58 billion in C&I loans.⁷ As of September 30, 2014, IMB held approximately \$2.86 billion in C&I loans.⁸ As described in the Application, as of June 30, 2014, CIT had a national market share in C&I loans of approximately 0.6%, and IMB had a market share of 0.2%. There are numerous banks and other financial institutions (e.g., J.P. Morgan, Bank of America, Citi and Wells Fargo) engaged in the C&I lending market both in local and regional markets and on a national basis.

ii. Commercial real estate lending;

As described in the Application, each of CIT and IMB engages in CRE lending. As of September 30, 2014, CIT held approximately \$1.48 billion in CRE loans (loans secured by multifamily residential property, loans secured by nonfarm nonresidential properties (“NFNR loans”) and other loans to finance commercial real estate, construction, and land development).⁹ As of September 30, 2014, IMB held approximately \$3.59 billion in CRE loans.¹⁰ The CRE lending market, as of September 30, 2014, was greater than \$1.2 trillion based on data reported by banks in call reports. Moreover, this figure does not include lending by other financial institutions and, therefore, understates the size of the commercial real estate lending market.¹¹ Accordingly, CIT’s pro forma share of the CRE lending market would be de minimis, and there are many banks and other types of financial institutions engaged in the CRE lending market both in local and regional markets and on a national basis (e.g., J.P. Morgan, Union Bank, Bank of America, Citi, Wells Fargo, PNC, SunTrust and M&T).

⁷ CIT Group FR Y-9C, HC-C, Line 4a, 4b, 9b.

⁸ IMB FR Y-9C, HC-C, Line 4a, 4b, 9b; CWB Call Report, RC-C Part I, Line 4.

⁹ CIT FR Y-9C, HC-C, Line 1d, 1e(1), 1e(2), Memoranda Item M.2.

¹⁰ IMB FR Y-9C, HC-C, Line 1d, 1e(1), 1e(2), Memoranda Item M.2; CWB Call Report, RC-C Part I, Line 1d, 1e(1), 1e(2), Memoranda Item M.3.

¹¹ The Mortgage Bankers Association Q2 2014 Quarterly DataBook reports that as of March 31, 2014, total commercial/multifamily mortgage debt outstanding was approximately \$2.56 trillion. According to the DataBook, banks and thrifts hold approximately 35.3% of commercial and multifamily mortgage debt outstanding.

iii. Construction loans;

Each of CIT and IMB engages in construction lending. As of September 30, 2014, CIT held approximately \$511 million in domestic construction loans.¹² As of September 30, 2014, IMB held approximately \$57 million in construction loans.¹³ The construction lending market, as of September 30, 2014, was greater than \$214 billion based on data reported by banks in call reports, a subset of the market because other types of financial institutions engage in this activity. Accordingly, CIT's pro forma share of the construction lending market would be de minimis. There are many banks and other financial institutions engaged in the construction lending market both in local and regional markets and on a national basis (e.g., Wells Fargo, Bank of America, U.S. Bank, PNC, M&T, BB&T, Regions and SunTrust).

iv. Middle market lending;

Neither the Applicants nor IMB tracks middle market lending separately from its other lending activities. Moreover, as described in the Application, there is no definitive data available regarding the market for middle market lending. CIT believes that its and IMB's share of the market for middle market lending must be de minimis based on the fact that, as described above, each of CIT's and IMB's share of the national C&I market is extremely small, and middle market lending is a subset of C&I lending. Other market participants include numerous other commercial banks in the country (e.g., Bank of America, J.P. Morgan, U.S. Bank and Wells Fargo) as well as nonbanks (e.g., Ares Capital, GE Capital, Jeffries, Madison Capital and Maranon Capital/Prudential).

v. Small business lending;

Each of CIT and IMB engages in small business lending. As of September 30, 2014, CIT held approximately \$ [REDACTED] in C&I loans and NFNR loans with an original principal amount of less than \$1 million (generally used for CRA reporting purposes as the threshold for "small business" loans). As of September 30, 2014, IMB held approximately \$126 million in C&I loans and NFNR loans with an original principal amount of less than \$1 million.¹⁴ The total amount outstanding of C&I loans and NFNR loans with an original principal amount of less than \$1 million, as of September 30, 2014, is more than \$514 billion based on data reported by banks in call reports (a subset of the market because other types of financial institutions participate in this market). Accordingly, CIT's pro forma share of the small business lending market would be de minimis. Leading participants in the small business lending market on a national basis include Wells Fargo, Bank of America, J.P. Morgan and U.S. Bank, according to data reported by banks in call reports, and in the greater Los Angeles market, include City National, Union Bank, Bank of the West, Zions and PacWest.

vi. Receivables factoring;

As of September 30, 2014, CIT held approximately \$2.48 billion in loans and factoring receivables.¹⁵ In general CIT competes with credit insurance companies and middle market bank

¹² CIT Group FR Y-9C, HC-C, Line 1a(1), 1a(2).

¹³ IMB FR Y-9C, HC-C, Line 1a(1), 1a(2); CWB Call Report, RC-C Part I, Line 1(a)(1), 1(a)(2).

¹⁴ CWB Call Report, RC-C, Part II, Lines 3 and 4, Column B.

¹⁵ CIT Group 1C-Q for the period ending September 30, 2014.

lending groups, including BB&T, Milberg Factors and Merchant Factors. Other market participants in the factoring business include Wells Fargo and Rosenthal & Rosenthal. The Applicants do not have information regarding the total size of this market. However, CIT believes the factoring market is highly competitive, and that there are numerous substitute providers for CIT's factoring services.

IMB does not engage in this activity.

vii. Equipment financing/leasing; or

As described in the Application, CIT engages in equipment finance and leasing activities. As of September 30, 2014, CIT held approximately \$ [REDACTED] in equipment financing and leasing assets. According to the 2014 Monitor 100, equipment finance and leasing originations in the U.S. in 2013 were approximately \$231 billion based on a survey of the top 100 equipment finance and leasing companies in the United States (which represents only a portion of the market because other institutions participate in this market). The Monitor 100 ranked CIT Group 10th in new business volume among the Monitor 100 companies, with approximately \$6.3 billion (2.7% of 2013 new originations). Leading market participants of new business volume in 2013 were John Deere Financial (15.1%), GE Capital (13.2%), IBM Global Financing (6.8%), Banc of America Leasing (5.9%), CNH Industrial Capital (4.9%), De Lage Landen Financial (4.2%), and Wells Fargo Equipment Finance (4.0%).

IMB does not engage in this activity.

viii. Syndicated lending;

CIT does not compile aggregate information regarding the portion of its lending activities that are part of syndicated facilities. As of September 30, 2014, IMB had approximately \$ [REDACTED] of participations in syndicated facilities. IMB served as agent for \$ [REDACTED] of syndicated facilities. According to Bloomberg's Global Syndicated Loans league tables for the first three quarters of 2014, U.S. loan volume was more than \$1.3 trillion, and the largest participants by U.S. market share include J.P. Morgan (16.8%), Bank of America (15.2%) and Wells Fargo (9.3%).¹⁶ Neither CIT nor IMB appeared in the top 20 list in this Bloomberg league table.

i. Direct dollar lending to foreign institutions and dollar lending through foreign exchange swaps;

CIT Group does not participate in the market for direct dollar lending to foreign institutions or dollar lending through foreign exchange swaps. Although, as of September 30, 2014, CIT Group had \$ [REDACTED] in direct dollar lending to foreign institutions, these assets consisted entirely of loans to foreign-chartered special purpose vehicles (owner trusts) within its Maritime and Aerospace financing businesses. The end user of the ships and airplanes are third parties that typically are not foreign institutions.

IMB does not engage in this activity.

m. Trade letters of credit;

As of September 30, 2014, CIT had approximately \$374 million of standby letters of credit and \$27.4 million of other letters of credit outstanding.¹⁷ In the normal course of meeting the

¹⁶ GLOBAL SYNDICATED LOANS, LEAGUE TABLES, 1ST 3QTRS 2014, BLOOMBERG.

¹⁷ CIT Group 10-Q for the period ending September 30, 2014, note 13.

needs of clients, CIT occasionally enters into agreements to provide letters of credit. To minimize potential credit risk, CIT generally requires collateral and in some cases additional forms of credit support from the client. Most of CIT's letters of credit are in the Corporate Finance division. Many other financial institutions offer commercial and standby letter of credit products, including J.P. Morgan, Bank of America, Citi and Wells Fargo. The Applicants do not have information regarding the total size of this market. However, CIT believes its activities represent a de minimis share of the market.

IMB does not engage in this activity.

n. Interest rate and credit derivatives trading;

As of September 30, 2014, the total gross notional amount of interest rate derivative contracts CIT held for trading was approximately \$5.83 billion.¹⁸ As of September 30, 2014, the total gross notional amount of interest rate derivative contracts IMB held for trading, as of September 30, 2014, was approximately \$2.28 billion.¹⁹ The total size of the market for trading interest rate derivatives, as of September 30, 2014, was more the \$235 trillion according to data reported on form FR Y-9Cs (a subset of the market because numerous other types of institutions participate in this market). Accordingly, CIT's pro forma share of the interest rate derivative trading market is de minimis. The leading market participants in the interest rate derivative trading market include Citi, J.P. Morgan, Goldman Sachs, Bank of America and Wells Fargo but numerous other large and small financial institutions participate in this market.

Of CIT's reported trading assets,²⁰ as of September 30, 2014, none related to credit derivatives. Of CIT's reported trading liabilities,²¹ as of September 30, 2014, approximately \$ [REDACTED] related to credit derivatives. [REDACTED]

[REDACTED] Other market participants include a wide range of financial institutions, including J.P. Morgan, Bank of America, Goldman Sachs and Wells Fargo. The Applicants do not have information regarding the total size of the credit derivatives trading market. However, CIT believes its activities represent a de minimis share of the market. IMB does not engage in credit derivatives trading.

CIT's and IMB's derivatives activities are predominantly used to hedge various types of risk, such as interest rate risk.

o. Commodities trading;

Neither CIT nor IMB engages in this activity.

p. Credit card lending;

CIT does not engage in this activity.

As described in the Application, CWB's Consumer Banking business offers retail customers credit card products. As of September 30, 2014, IMB held approximately \$961,000 in

¹⁸ CIT Group FR Y-9C, HC-L, Line 12.

¹⁹ IMB FR Y-9C, HC-L, Line 12.

²⁰ CIT Group FR Y-9C, HC, Line 5.

²¹ CIT Group FR Y-9C, HC, Line 15.

credit card loans.²² The total size of the credit card lending market, as of September 30, 2014, was more than \$716 billion based on data reported on form FR Y-9Cs. Accordingly, CWB's credit card lending represents de minimis share of the credit card lending market. The major market participants include Capital One, Bank of America, American Express, Discover and J.P. Morgan.

q. Mortgage servicing;

Neither CIT nor IMB engages in this activity.

As described in the Application and in the related materials submitted to the Board in connection with the Application, IMB engages in mortgage servicing activities. IMB reports approximately \$20.67 billion of assets serviced for others as of September 30, 2014, which consists primarily of reverse mortgage servicing.²³ Other market participants in the reverse mortgage servicing business include Walter, Wells Fargo, Nationstar and Ocwen.

r. Corporate trust;

Neither CIT nor IMB engages in this activity.

s. Correspondent banking; and

Neither CIT nor IMB engages in this activity.

t. Reinsurance.

CIT, through two captive insurance companies, reinsures insurance policies that are issued by a third-party insurer to CIT subsidiaries engaging in leasing and financing activities. As of September 30, 2014, CIT's exposure under these reinsurance arrangements was approximately \$[REDACTED]. Because CIT only reinsures policies issued to CIT entities, the Applicants submit that it is not a participant in the reinsurance market, and its market share is therefore irrelevant. In any event, participants in the reinsurance market consist of numerous insurance companies, including National Indemnity Co., Swiss Reinsurance America Corp. and Transatlantic Reinsurance Co.²⁴ Moreover, CIT's reinsurance activities represent a de minimis share of the reinsurance market.

IMB does not engage in this activity.

2. Describe any financial markets (trading-type activities) in which either CIT or IMB is a "market-maker."

Neither CIT nor IMB is a market-maker in any financial markets.

3. Report the current market value, gross and net of collateral, and other risk mitigants for the three largest OTC derivatives counterparties of each of CIT and IMB as measured by the following metrics:

a. by positive current market value (after netting arrangements); and

²² IMB FR Y-9C, HC-C, Line 6(a); CWB Call Report, RC-C Part I, Line 6(a).

²³ IMB FR Y-9C, HC-S, Memoranda Item M.2.b. and M.2.c.; CWB Call Report, RC-S, Memoranda Item M.2.b., M.2.c. IMB does service its own loan portfolios, but there are no mortgage servicing rights associated with these activities.

²⁴ GLOBAL REINSURANCE HIGHLIGHTS 2013, STANDARD & POOR'S 112 (2013).

CIT's Counterparty Name	Market Value -Gross (\$ in millions)	Market Value -Net of Collateral (\$ in millions)
	Asset / (Liability)	Asset / (Liability)
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

IMB's Counterparty Name	Market Value -Gross (\$ in millions)	Market Value -Net of Collateral (\$ in millions)
	Asset / (Liability)	Asset / (Liability)
[REDACTED]	[REDACTED]	[REDACTED]
N/A	N/A	N/A
N/A	N/A	N/A

b. by negative current market value (after netting arrangements).

CIT's Counterparty Name	Market Value -Gross (\$ in millions)	Market Value -Net of Collateral (\$ in millions)
	Asset / (Liability)	Asset / (Liability)
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

IMB's Counterparty Name	Market Value -Gross (\$ in millions)	Market Value -Net of Collateral (\$ in millions)
	Asset / (Liability)	Asset / (Liability)
[REDACTED]	[REDACTED]	[REDACTED]
N/A	N/A	N/A