May 12, 2015

CONFIDENTIAL TREATMENT REQUEST

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

Attention: Ivan J. Hurwitz
Vice President, Bank Applications

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

Ladies and Gentlemen:

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

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

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

* Under 5 U.S.C. § 552(b)(4), information that a private party has provided to a government agency is exempt from disclosure if it consists of “trade secrets and commercial or financial information obtained from a person and privileged or confidential.” Accord 12 C.F.R. § 261.14(a)(4). It is well established that this exemption protects confidential trade secrets and commercial and financial information from disclosure if such disclosure would be
nonpublic commercial or financial information that is privileged or confidential within the meaning of Section 261.14(a)(4) of the Board’s regulations or information that is otherwise exempt from disclosure under Section 261.14(a) of the Board’s regulations, the disclosure of which would cause significant harm to the Applicants and their respective affiliates.

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

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

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

* * *

“likely . . . to cause substantial harm to the competitive position of the person from whom the information was obtained.” National Parks & Conservation Ass’n v. Kleppe, 547 F.2d 673, 677-78 (D.C. Cir. 1976). To establish such an exemption, the person seeking such an exemption need not show certainty of competitive harm, but only a likelihood that such harm may occur. See Gulf & Western Indus. v. United States, 615 F.2d 527, 530 (D.C. Cir. 1979).
If you have any questions with respect to any of the matters discussed in this letter or in the materials included herewith, please feel free to contact me at (212) 558-4998 (salleys@sullcrom.com).

Sincerely,

[Signature]

Stephen M. Salley

(Enclosures)

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

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

Elisa Johnson
(Federal Reserve Bank of San Francisco)

Kay E. Kowitt
(Office of the Comptroller of the Currency)

G. Edward Leary
(Utah Department of Financial Institutions)

Robert J. Ingato
(CIT Group Inc.)

Joseph Otting
(IMB Holdco LLC)

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

Commenters Listed on Schedule A (Public Version Only)
**Commenters**

Inner City Press/Fair Finance Watch  
California Resources And Training  
Anewamerica Community Corporation  
Housing And Economic Rights Advocates  
Renaissance Entrepreneurship Center  
Strategic Actions For A Just Economy  
Neighborhood Housing Services Of The Inland Empire  
East LA Community Corporation  
Community Legal Services In East Palo Alto  
Neighborhood Housing Services Silicon Valley  
National Community Reinvestment Coalition  
Pacific Asian Consortium In Employment  
Valley Economic Development Council  
San Fernando Valley Small Business Development Corporation  
Affordable Housing Clearinghouse  
Housing Rights Center  
Korean Churches For Community Development  
California Reinvestment Coalition  
Fair Housing Of Marin  
Los Angeles LDC, Inc.  
Consumers Union  
Mission Economic Development Agency  
Alliance Of Californians For Community Empowerment  
National Housing Law Project  
California Housing Partnership Corporation  
Neighborhood Legal Services Of Los Angeles County  
The Greenlining Institute  
Asian Pacific Islander Small Business Program  
CDC Small Business Finance  
Sandy Jolley  
Fair Housing Council Of The San Fernando Valley  
Pathstone  
East Bay Housing Organizations  
Vermont Slauson Economic Development Corporation  
Sacramento Housing Alliance  
Advocates For Neighbors, Inc.  
Neighborworks Orange County  
Opportunity Fund  
Multicultural Real Estate Alliance For Urban Change  
Law Foundation Of Silicon Valley  
Urban Strategies Council  
Consumer Action  
Neighborhood Housing Services Of Los Angeles County  
Communities Actively Living Independent & Free
Black Business Association
Asian, Inc.
Asian Pacific Policy & Planning Council
Housing Leadership Council Of San Mateo County
Public Interest Law Project
Helen Kelly
Montebello Housing Development Corporation
East Palo Alto Community Alliance And Neighborhood Development Organization
California Coalition For Rural Housing
Community Housingworks
Teena Colebrook
Tod Lindner
Community Action Agency Of Butte County, Inc.
Orange County Community Housing Corporation
Carol Sheppard
Diane Bucy
Svetlana Tyshkevich
Bert Thompson
Lisa Marshall
Karen Nierhake
Mike Healey
Rebecca Boyle
Scott Morse
S Patrick
Allana Baroni
Susan Batista
Caarla Dimondstein
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Marie Mcdonnell
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Vera Morales
Harold Good
Emily Gasner
Elba Schildcrout
Geoffrey Stilwell
Randall Guerra
Djibril Djigal
Los Angeles Latino Chamber Of Commerce
Barbara Macri-Ortiz
Michael Garcia
Ira Dember
Ross Heckmann
Audrey Aguilar
James Abbott
Alexander De Leon
Adrian Marquez
Alan Foronda
Fernando Guerrero
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Fred Burnside
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Iane Saenam
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Diana Hoover
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Eric Friedman
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Benedict Morante
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Benjamin Perez
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Nabil Ezzeddine
Billvick Perez
Billy Joe Tenorio
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Asuncion Rubin
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Luren Cacha
Dom Tattoli
Bobby Myles
Bob Mcelyea
Carmelo Bondoc
Bon Santos
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Brad Marcelino
Brenda Poovakad
Brenda Dycus
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Bruce Dannemeyer
Bryan Ching
Bryan Herrera
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Leonora Bucad
Butch Safyurtlu
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Byron Tam
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Elmer Cabezas
Calvert Hartman
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Robert Giorgio
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Eymard Cardona
Christina Restituto
Ferdi Ison
Bing Ison
Christian Ison
Caitlin Ison
Celine Ison
Cariza Ison
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Caroljane Ancheta
Caryl Roque
Princess Catherine Quinlat
Carmen Dacasin
Dorothy Collins
Casey Ryan
Cynthia Delbarrio
Karen Haase
Cecil Tantay
Celine Sarapuddin
Celso Nicolas
Rodel Santos
Cesar Amoroso
Cesar Santos
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Cindy Finerty
Cindy Geniza
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Chandrakant Patel
Charita Dagcuta
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Charles Larsen
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Serena Gordon
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Ivan Chavez
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Chito Casimiro
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Edgar Gaviola
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Priscilla Macayan
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Judan Guiao
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Daniel Immergluck
Daniel Kroupa
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Danilo Villamidez
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Loutete Pamintuans
Darryl Pikoos
Marden De Castro
Dennis De Castro
Marivick De Castro
Darwin De Castro
Daughlet Ordinario
Margarita Dauz
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David Misko
David Phelps
David Drake
David Schachter
Debbie Windholz
Dewey Belisario
Analyn De Dios
Deanna Mcginity
Deborah Ewing
Desirre Gatus
Dennis Belli
Deanna Smaldino
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Gloria De Haan
Virgilio De Joya
Ariel De La Cruz
Isabeki Dela Cuadra
Danelle Gordon
Delite Vogley
Maria Dellatorre
Dan Khatchaturian
Fideliza Valdez
Randy Cruz
Denis Dulos
Denise Hunter
Dennis Reyes
Derlie Andes
Detdet Gatus
Desiree Gatus
Deiree Gatus
Lourdes White
Vimal Dhawan
Madonna Hormigas
Valentine Dickerson
Digna Donato
Dinaflor Palad
Beverly Diomampo
Anthony Dizon
Marjolaine Dizon
Dean Jubas
David Katz
Katherine Pangilinan
David Manser
David Menchaca
Eugene Au
Edralin Cruz
Raymond Cruz
Diosdado Tupaz
Stefan Dold
Dolprema De Sahagun
Dolores Lavares
Robelio Dominguez
Lois Noren
Donald Brown
Donovan Perkins
Teodora Siron
Fredovin Ballutay
Daniel Passage
Chito Buccat
Monica Buccat
Rozanna Verderaliga
Charles Criddle
David Engwall
Dennis Romero
David Scherer
David Simon
Dan Sobel
Dulce Vigilia
Mark Joseph Duldulao
Dominique Varner
Diane Whipple
Dyane Wilson
Debbie Zimmerman
Eleanor High
Earl Gaviola
Ej Canlas
Marlo Emata
Salt Lake Valley Habitat For Humanity
Edward Colton
Edgardo Nais
Edward Goldberg
Intal Edna
Edna Tayag
Edmon Reyes
Edward Gaviola
Edwin Fernandez
Edwin Gaviola
Eddie Esteban
Erlito Ann
Efren De Guzman
Efren Boc
Ernest Bruck
Edgardo Almalveza
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Ej Pagakos
Eric Johnson
Eric Tam
Deborah Burnett
Ann Lina
Cyril Encanillas
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Elena Gaviola
Elenor Sabater
Eleanor Cantimbuhan
Eleonore Damasco
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Ellen Wilner
Ellyne Ramos
Elmer Castro
Ello Tanciongco
Elmer Pascua
Eileen Rockey
Elvis Zuleta
Emerson Marasigan
Emerita Cruz
Emily Kroll
Ennylou Slaga
Grace Santos
Jose Orellana
 Gregg Carpenter
 George Saito
 Sheila Sobretodo
 Christian Nate Tacto
 Candyl Tacto
 Philip Sobretodo
 Marian Sobretodo
 Lorraine Sobretodo
 Gina Sobretodo
 Ernest Aguada
 Gustavo Aguilar
 Alexander Guglin
 Gregory Tabangura
 Ricardo Gutierrez
 George Taggart
 Gerry Miranda
 Hannah Anis
 Rosemary Harmon
 Ronal Hatulan
 Gabriel De Leon
 Hector Lucas
 Heidi Wahl
 Hannah Nicolas
 Herbert Posey
 Herminia Caliboso
 Pattie Herrera
 Chito Geniza
 Joji Baduria
 Hortensia Morales
 Richard Leib
 Howard Ruby
 Hany Iskander
 Mindy Hua
 Grace Emnace
 Rigoberto Romero
 Harry W Ostwald
 Ian Meehleib
 Dwight Bloom
 Elvira Bloom
 Ian Paul Vitocruz
 Joezel Ibe
 Ignacio Diloy
 Ivan Gonzales
 Ike Aldeguer
 Imelda Dumaop
Jennifer Refe
Jessica Perez
Scott Holmes
Jonathan Sebiri
Jesse Slome
Jordan Tagle
Jim Shott
Joseph Snider
Monica Jugo
Jonathan Jugo
Jules Garcia
Julia Ardell
Domingo Juliano
Julius Aspiras
Julio Sokolich
Amparo Cabading
July Maristela
Lillie Campos
Edwin Baldovino
Justin Cacho
Justin Garcia
Justino Sunga
Juvy Mendoza
John Bayquen
Josette Velasco
Joanne Wintroath
Kamal Accad
Karen Navarro
Karen Domingo
Karen Speers
Karen Tan
Karina Sotomayor
Katrina Enriquez
Katya Evseev
Dianne Kay Robles
Kay Arleen Tejano
Kevin Bradshaw
Kevin Connelly
Karen Alix
Aaron Alix
Keaton Swan
Kelley Mclaughlin
Kenneth Flewellyn
Kenneth Mesesan
Kenneth Reyes
Kate Reyes
Kevin Millare
Marichu Baraan
Ryan Elliott
Kenneth Jordan
Kevrette Johnson
Kalan Macginley
Kenneth Merchant
Jerold Cacho
Mark Asuncion
Kurt Reindl
Kurt Richard
Kristi Powers
Kristine Querol
Hafiz Rehman
Daniel Teranishi
Keith Tigue
Young Kwon
James Lacommare
Ladesa Nicolas
Ellen Sexion
Sheila Berrei
Richard Lantz
Lary Matteson
Laura Clark
Laura Lee
Laurence J Sabin
Lea Del Rosario
Matthew R. Lee
Lee De Leon
Dominic Garcia
Timmy Garcia
Abby Garcia
Lee Garcia
Lito Garcia
Rachel Aguirre
Leila Acevedo
Lemuel Miranda
Maria Elena Gestopa
Alexander Reyes
Leo Garcia
Leon Cook
Leticia Yalong
John Siquig
Leticia Carrillo
Leticia Ramos
Lexie Roque
Lawrence Gaussa
Lydia Borow
Mary Ann Kale
Marlene Link
Chell Abella
Amancio Canonizado
Lito De Leon
Manny Mamaril
Jun Matabang
Marcelo Manzano
Anjanette Maraya
Margaret Finlay
Andy Calvario
Margie Alinsub
Maria Malonzo
Marianne Soriano
Chantal De Leon
Rosemarie Calbalquinto
Marisa Sanchez Toro
Marites Reyes
Marjie Villarama
Marjorie Parrocha
Marjorie Beck
Mark Egerman
Mark Jacobs
Mark Reveche
Mark Breves
Marlon De Leon
Ronald Rothman
Martin Aurelio
Mary Mohebbi
Matt Pope
Matt Cohen
Donnabelle Meehleib
May Oliva
Maya Bienenfeld
Marlon Baldovino
Bengt Ljunggren
Madonna Ycay
Mildred Canlas
William Mcarthur
Mike Cox
Mickey Siam
Mark Dellovo
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Doree Jones Karr
Guadalupe Medina
Medardo Amoyen
Mia Protacio
Megan Benary
Nancy Mehler
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Melodie Heitzinger
Lito Mallari
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Mena Teburcio
Mario Mendez
Mae Myers
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Philipn Salugao
Myra Salugao
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Michael Sandler
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Milan Page
Mizpah Cortez
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Mimi Yu
Angela Domingo
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Marlon Quiba
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Mary Valenzuela
Leiza Lopez
Modesto Perez
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Paula Galvez
Paul Gabriel Domingo
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Perry Harends
Mavis And George Rasmussen
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Peter Van Zandt
Peter Feitelberg
Peter Cabanero
Azeneth Cabanero
Paco Flores
Paul Glantz
Khamphian Vongkesone
Phil Chap
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Phoebe Cruz
Annie Libenson
Phuong Tran
Phyll Valencia
Denise Pikoos
Al Pina
Don Angeles
Parimal Shah
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Alejandro Platon
Aaron Green
Pokey Thompson
Nanie Pontiveros
Trent Gisondi
Prince Carlos Espanola
Prisco Alva
Inciong Prix
Micko Protacio
Cherry Ann Padua
Inna Pulukchu
Peter Yakubek
Agnes Manglinong
Eli Shetrit
Vahe Antikadjian
Valerio Cervantes
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Jomarie Velasco
Arlene Velasco
Gene Ventura
Vermont Dy
Ileana Perez
Veronica Cruz
Vic Garcia
Vic Montella Garcia
Vicky Cortez
Vicki Phillips
Victor Lacerna
Victor Chua
Victoria Carlos
Noel Dollentas
Joan Villahermosa
Joey Villanueva
Edda Villar
Vince Javier
Vincent Mendez
Vince Iva Palad
Vincent Mendoza
Frederick Leslie
Vipul Tandon
Vivian Pham
Vivien Wong
Vladimir Miletic
Vincent Liang
Vicky Mense
Zen Bocaya
Wayne Litwin
Warlito Cua
Cyan Panolin
Wayne Bradshaw
Wendy Garland
William Ernisse
Windy Anne Galapin
Elaine Quadra
Suzy White
Willie Tayag
William Cave
William Velasco
Leonard Hermoso
Wilson Dy
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Rodrigo Valdez
Matthew Deskins
Rhoderlyn Maniquiz
Xiao You Wang
Yale Kim
Constance Rush
Efrat Pomeranitz
William Young
Nagesh Malhotra
Raymundo Sagum
German Zamora
Zeny Ferrer
Zenaida Bungay Wijangco
Jorge Zetina
Mark Wateron
Siegard Gottlieb
Zoe Laset
Zoilo Handugan
Zyra Baniaga
National Diversity Coalition
Dalen Bogue
Seventeen Minority Coalition Leaders
Valley Economic Development Corporation
Vermont Slauson
Communities Actively Living Independent and Free
Advocates for Neighbors, Inc.
ASIAN, Inc.
Community Action Agency of Butte County, Inc.
Gary Maxfield
Jim Dill
Tim Allen
Helen Kelley
Cristina Clifford
Timothy and Kimberly Davis
Jose Vilavicencio
Don Corriea
Hope Hall
Rebecca Isaac
Marie Cresta
Carlos Guzman
John Taylor
Ben Jefferson
Robbie Jefferson
Denise Dunham
Kam M.
Robert Yale
RESPONSES TO THE REQUEST FOR ADDITIONAL INFORMATION
DATED MAY 1, 2015
FROM THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
IN CONNECTION WITH THE
APPLICATION
TO THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
RELATING TO THE PROPOSED ACQUISITION OF
IMB HOLDCO LLC
BY
CIT GROUP INC.
AND
CARBON MERGER SUB LLC

______________________________

May 12, 2015

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

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

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

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

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

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

f. CIT’s consummation of the proposed merger, without addressing CIT’s interconnectedness, would be “reckless.”

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

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

2 Although $50 billion in total consolidated assets is the Dodd-Frank Act threshold for becoming subject to that Act’s Section 165 enhanced prudential standards, the Applicants note that in the four instances in which the Financial Stability Oversight Council has determined that material financial distress at a nonbank financial firm could pose a threat to U.S. financial stability, those institutions’ assets exceeded the combined assets of CIT and OneWest by more than 700%. The Applicants also believe that these commenters’ assertions regarding the
As a result of the Transaction, CIT’s total consolidated assets will increase from approximately $44 billion to $67 billion. The combined organization, while somewhat larger in size, would be smaller than approximately 32 other U.S. bank holding companies and 19 U.S. insurance companies that are not bank holding companies. The size of the combined institution would be less than one-third the size of 26 of those financial services companies. Moreover, it would not be more complex or interconnected such that the distress or disorderly failure of the combined organization would be likely to cause significant disruption to the wider financial system. To the contrary, for the reasons discussed in the Application record and below, the Applicants believe that the Transaction would actually reduce both institutions’ overall risk profiles, resulting in a more resilient, diversified and stable organization that is better able to withstand financial and other stress. Such a result has a positive effect on the stability of the U.S. banking or financial system (“USFS”).

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

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

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

4 We note, in this regard, Board Governor Tarullo’s support for raising the $50 billion threshold at which bank holding companies become subject to the Dodd-Frank Act’s enhanced prudential standards and other requirements. Daniel K. Tarullo, Rethinking the Aims of Prudential Regulation, May 8, 2014, available at http://www.federalreserve.gov/newsevents/speech/tarullo20140508a.htm (“The key question is whether $50 billion is the right line to have drawn. Experience to date suggests to me, at least, that the line might better be drawn at a higher asset level--$100 billion, perhaps.”).
Applicants believe that the Transaction will in fact decrease risks to the stability of the USFS by creating an institution that is more diversified, with a more stable funding profile and enhanced earnings and capital generating capacity, and that, therefore, is more resilient to financial stress.

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

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

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

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

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

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

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

One commenter also stated that a Government Accountability Office study (the “\textit{GAO Study}”)\footnote{\textit{COMPLEX FINANCIAL INSTITUTIONS AND INTERNATIONAL COORDINATION POSE CHALLENGES, GOVERNMENT ACCOUNTABILITY OFFICE} (July 2011).} “used CIT as an example” of an institution whose bankruptcy was complicated by its complexity.\footnote{Transcript for the Joint Public Meeting, held February 26, 2015, by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency (“\textit{Public Meeting Transcript}”), at 183:20–184:1. available at http://www.federalreserve.gov/bankinforeg/cit-group-onewest-application-materials.htm.} In fact, the GAO Study incorporated an in-depth case study of each of the CIT, Lehman Brothers and Washington Mutual bankruptcies and explained that the selection of these three bankruptcies was made “on the basis of their size and the variety of experiences [during bankruptcy] . . .”\footnote{GAO Study at 70. The GAO Study notes that, at the time of the study, these represented the largest financial institution bankruptcies since the Bankruptcy Code was amended in 2005.} Far from pointing to CIT as an institution with a complicated bankruptcy, the GAO Study specifically contrasted the CIT bankruptcy, which it noted that some experts considered to be “an orderly bankruptcy process and reorganization” and which lasted only a little
over one month, with the Lehman Brothers bankruptcy, which it noted some experts considered “disorderly”.\footnote{Id. at 20–21.}

The commenter made the additional unsubstantiated assertions that CIT’s alleged interconnectedness “likely complicated bankruptcy procedures” (a claim disproved by the approximately one-month bankruptcy process) and that “[i]nterconnectedness was a huge factor in CIT’s bankruptcy” (without the slightest evidence whatsoever).\footnote{Public Meeting Transcript at 183:18–19 and 184:1–2.} These assertions are incorrect and undermine the commenter’s overall contentions regarding the Financial Stability Factor. The Board’s consideration of interconnectedness is focused on whether financial distress experienced by a combined institution could create financial instability by being transmitted to any other institutions or markets within the U.S. banking or financial system.\footnote{See Capital One-ING Order.} The Applicants believe that CIT’s bankruptcy in 2009 provides potentially the most convincing evidence that CIT had, and continues to have, a low degree of interconnectedness and that financial distress, and even its failure, would not cause significant damage to other financial institutions or the USFS. To the Applicants’ knowledge, CIT’s bankruptcy did not result in any significant financial distress to any other financial institutions or to the broader USFS or the economy, and interconnectedness with other financial institutions played no significant role in its bankruptcy.\footnote{One commenter stated that “CIT sought an additional disbursal of TARP funds” and that CIT “argued that these funds were necessary because CIT was systemically important and its failure would harm the economy.” CIT did not apply for disbursal of “additional TARP funds”. CIT did, however, apply to participate in the FDIC’s Temporary Liquidity Guarantee Program, in connection with which it asserted disruptions to certain small and medium business lending markets in which it participated. The FDIC did not approve CIT’s application, however, which it presumably would have done, as it did in such cases as Ally and GE Capital, if it had considered CIT systemically important. CIT believes that its actual bankruptcy in 2009 had a minimal impact on its customers and that substitute providers were available where desired by customers and counterparties. Although CIT believes that certain small business lending markets and, in particular, its customers, could be negatively impacted if CIT were to fail, that does not mean that CIT’s failure would cause significant damage to any financial market or the USFS.} On November 1, 2009, CIT filed a prepackaged voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. Among the factors that led to this bankruptcy filing were significant disruptions in the capital markets, accelerating credit line draw activity by clients, deteriorating portfolio performance and debt rating downgrades which, when combined, strained CIT’s liquidity situation. After only 40 days, CIT emerged from bankruptcy on December 10, 2009. Nothing in the record suggests that CIT has become more interconnected since its bankruptcy or that the Transaction will result in any meaningful change in CIT’s degree of interconnectedness. In fact, CIT has become less reliant on the capital markets for funding and that trend is expected to continue with the acquisition of OneWest.

CIT’s business restructuring strategy emerging from bankruptcy included diversifying its “funding base at CIT Bank by adding commercial and retail deposits through
organic growth and potential strategic transactions.”

CIT has executed on this business strategy, and today has a far more stable funding profile that is less reliant on the capital markets. The acquisition of OneWest, which is funded primarily by retail, branch-based deposits, would further advance CIT’s goal of achieving a more stable funding profile.

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

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

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

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

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

18 As of December 31, 2014, $26.6 million in Level 3 liabilities compared to $38.8 billion in total liabilities.
Since 2008, CIT’s amount of Level 3 liabilities has been consistently less than 0.1% of its total liabilities. The only exception was for the quarterly period ended September 30, 2009, in which Level 3 liabilities increased to approximately $293 million (still only about one half of one percent of CIT’s total liabilities) for approximately one month due to CIT’s recognition in September 2009 of a future liability for a $285 million proportional termination fee with respect to a partial reduction in the commitment amount under a derivative contract with Goldman Sachs. The payment was made in October 2009, as a result of which CIT’s Level 3 liabilities decreased by that amount, and thereby returned to a level consistent with prior periods, and all periods since. The increase was disclosed and explained in CIT’s quarterly report on Form 10-Q filed with the SEC for the period ended September 30, 2009, and was not due to an “accounting anomaly or volatile internal situation”.

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

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

Please see Confidential Exhibit A.

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PUBLIC REDACTED VERSION OF THE
CONFIDENTIAL EXHIBIT

TO THE
RESPONSES TO THE REQUEST FOR ADDITIONAL INFORMATION
DATED MAY 1, 2015
FROM THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
IN CONNECTION WITH THE
APPLICATION
TO THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
RELATING TO THE PROPOSED ACQUISITION OF
IMB HOLDCO LLC
BY
CIT GROUP INC.
AND
CARBON MERGER SUB LLC

May 12, 2015
# TABLE OF PUBLIC REDACTED VERSIONS OF CONFIDENTIAL EXHIBITS

<table>
<thead>
<tr>
<th>Tab</th>
<th>Capital and Related Information</th>
<th>A</th>
</tr>
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</table>

PUBLIC REDACTED VERSION OF

CONFIDENTIAL EXHIBIT A

Capital and Related Information
### CIT Group Consolidated Capital and RWA

#### Risk Weighted Assets

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<thead>
<tr>
<th>Asset Balance</th>
<th>Risk Weighted Asset Balance</th>
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<td>Q4'14</td>
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<tr>
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<td>Loans / Leases - HFI</td>
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<td>Total Risk Weighted Assets</td>
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### CIT Consolidated - Capital

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<th>Q4'15</th>
<th>Q4'16</th>
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<td>16.0%</td>
<td>14.5%</td>
<td>16.0%</td>
<td>14.5%</td>
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Assumptions:
- Assumed Close is 7/1/2015
- Capital Ratios use Basel III beginning January 2015
## Resultant Bank Consolidated Capital

### $ in Millions

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<tr>
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<th>Q4'15</th>
<th>Q4'16</th>
<th>Q4'17</th>
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<td>Goodwill &amp; Intangibles</td>
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<tr>
<td>All other</td>
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<td>Leverage Assets</td>
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</table>

### Ratios

- Tier 1 Capital: 13.0%
- Tier 1 Common: 13.0%
- Total Capital: 14.2%
- Leverage: 12.2%

### Assumptions:

- Assumed Close is 7/1/2015
- Capital Ratios use Basel III beginning January 2015