

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol.

CIT Group Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And we'll wait one moment while questions compile. And the first question comes from the line of David Hochstim from Buckingham Research Group. Please proceed.

David Hochstim – Buckingham Research

Thanks. I wonder if you could just draw down a little bit more on the problem of commercial exposures – the problem commercial exposures. And if you can have confidence that you are not going to see any massive increase in charge of on communications, energy and real estate loans in the second quarter and the third quarter? I guess, another way of asking whether that we'd be confident that the reserves are adequate this quarter?

Nancy Foster

Hi.

Jeff Peek

David, thank you for the question. We've got Nancy Foster, who's our Chief Risk Officer, here to talk a little bit about exposures and reserves. So let me pass it to her.

David Hochstim – Buckingham Research

Okay.

Jeff Peek

Nancy?

Nancy Foster

Good morning. Again, I think as my colleagues addressed in their earlier comments, today in the first quarter, we are seeing the losses very concentrated in these sectors. We would expect some of the other sectors to deteriorate for the remainder of the year. And we have taken that into account in our reserving action this quarter. I think from a severity standpoint, as losses occur later in the year, we've had an opportunity – through our portfolio management process to work with the portfolio and the structures to the extent that I would not expect the same level of severity for the remainder of the portfolio.

David Hochstim – Buckingham Research

And what about the communication media and realty, do we still have a lot of assets that haven't charged off yet? And obviously there are problems in the sector but maybe there are problems in underwriting there too?

Nancy Foster

Yes. We'll continue to struggle with those sectors for the remainder of the year. If you look at our non-performing assets, you would see similar trends with the media and commercial real estate names there. So I think we won't grind through the remainder of the year in those sectors.

David Hochstim – Buckingham Research

Okay. And then are you able to take advantage of any of the opportunities in deep financing or you just don't have enough liquidity or—?

Nancy Foster

Yes, absolutely, in the first quarter, if you'd look at our underwriting and origination, you would see a heavy emphasis on the ABL business, both from deep lending as well as receivable facilities that we've been able to finance.

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.