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A Look at Why John Thain is Retiring from CIT

by Dale Kluga, Cobra Capital

http://leasingnews.org/archives/Oct2015/10_28.htm#cit

John Thain
Chairman/CEO
CIT Group

"Overlooked in the sudden alleged retirement announcement by Marlin Leasing Co-Founder/CEO Dan Dyer was the announcement by CIT Group Inc. which said John Thain, the crisis-era leader of Merrill Lynch & Co., will retire as chief executive of the lender on March 31 as it continues its push to transition to a U.S. commercial bank. The company, a lender to small and medium businesses, said it would explore options for its $10 billion commercial air business and look to sell its CIT Canada and CIT China businesses as part of that transition. A critic of the major banks, Dale Kluga of Cobra Capital, sees this similar to GE divesting assets to avoid government classification as a SIFI, A Systemically Important Financial Institution ...a bank or other financial institution whose failure might trigger a financial crisis. Dale believes Thain made a big mistake by making the merger too big and making it a SIFI, over $50 billion." - Kit Menkin, Editor

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Why does your accomplished CFO quit just days before the CEO does? Because he is being told that he is being passed over for the top job which will be handed down not to a creative financial star but to a Caretaker banker whose primary skills are corporate survival, not strategic, distinctive value-added expansion. Ignoring the obvious CYA announcements by the CIT highly respected military "Admiral" (1), the investment community is happy with the Thain retirement, the misguided, big bank builder architect, former CEO of failed Merrill Lynch and former mortgage bond trader.It takes a real lender to understand how to strategically position a lending business. Traders know how to unload and trade debt, not create and collect it. These are two entirely different skill sets and Thain was no lender and never portrayed himself as such. That's the downfall of his legacy and the CIT brand.

Turnaround artist? *I think not.* It doesn't take much creative talent to manage a failed finance company in a BK stage. He crushed creditors and stockholders. That's not the definition of creative strategic growth, he created little. He simply used highly paid professionals to crush creditors and stockholders. CIT only became a bank because it's cocaine-like concentrated securitization addiction caused it to overdose and put it in cardiac arrest to the path of total failure and BK. CIT, like the other zombie banks, should have been completely broken up and sold off. Converting it into a deposit taking structure just substituted its cocaine addiction for a hopeless last ditch, retail deposit taking franchise with no inherent distinctive franchise value. Yes, John Thain missed the huge opportunity of his political career. He jumped on the then popular bandwagon and naively decided that in order to survive, CIT not only must grow into a big bank but it must be a retail, low margin deposit taking franchise. This is the most counterintuitive, lackluster value-added business model move I have ever witnessed in my 34 years of banking and leasing.

What should Thain have done? It's obvious, isn't it? He should have aggressively petitioned Jeff Immelt to sell certain of those strategically relevant GE assets over to the one-time great CIT brand name and boosted it's brand value. Instead, he took the careful and politically popular route and transformed the once iconic CIT finance company into a plain vanilla, low value added retail brick and mortar antiquated banking model. Do we really need another minimally value added big bank? We already know the big banks make little money the old fashioned way of earning through disciplined commercial lending to small business. Most still make their quick profits on their often toxic and dangerous trading desks. So now comes Ellen Alemany, a retail banker from another zombie big bank called Citi. Ellen was once the head of Citi's leasing group and ran it like most big bank leasing companies, through big deals with razor thin margins. Not creative and specialized lending deserving of above market returns like the old Associates or CILC or Heller or even Sanwa.

Long live the old CIT brand because we will never see it again. Unless Sandy Weill comes out of retirement to run it and hires Jamie Dimon as his CFO, just like in 1985 at Commercial Crédit. We can always dream.

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1. **CIT Group Announces Senior Management Succession Plan**

   Four Major Changes
   http://leasingnews.org/archives/Oct2015/10_23.htm#ci