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CIT Founders and Taxpayers Foot the Bill

It's official: the U.S. taxpayer is now on the hook for \$2.33 billion in TARP funds given to CIT Group back in December of 2008.

In a filing after the closing bell last Monday, CIT Group acknowledged its inability or unwillingness to repay the colossal sum, making the CIT default the largest so far on any portion of TARP funds. It seems that the FDIC was unwilling to guarantee CIT debt (in contrast to the FDIC's more accommodating stance with larger lenders like Citigroup, Bank of America, and Wells Fargo. AIG, General Motors, GMAC, Fannie Mae, Freddie Mac, Chrysler, and Citigroup all owe the U.S. Treasury at least \$10 billion each, although none (so far) has chosen to default. CIT Group's action — which the markets absorbed with nary a hiccup — may encourage other beneficiaries of the TARP bailout monies to do likewise.



Undeterred, CIT Group has appointed former Merrill Lynch chief John Thain as its new Chief Executive for a base salary of \$6 million a year. Thain, let it be remembered, was the same man who was pilloried for running Merrill Lynch into the ground with his extravagant ways, which included \$3.6 billion doled out in bonuses and \$1.2 million for lavishly redecorating his own office.

"Taxpayers have already been burned once propping up CIT Group. Hopefully, they will not be forced to do that by misguided Treasury officials again," Linus Wilson, a professor at the University of Louisiana and close observer of the bailout, told TheStreet.com. Unfortunately for American taxpayers, there is every likelihood that the defaults will continue as emboldened, over-compensated executives discover that official Washington is happy to write off bailout bills footed by the American middle class — as long as the Beltway Bandits continue to receive their cut.



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