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HD **For Fast Cash, Firms Tap Revolving Loans**

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LP Cash-strapped companies aren't waiting for the U.S. banking bailout to free up credit. Instead, dozens are draining billions of dollars from "rainy day" revolving loans arranged previously with banks.

The mass drawdowns reflect another weak spot for the ailing banking industry. And they show businesses' mounting anxiety about the broader **economy**. Some are borrowing out of a sense of caution and prudence, hoping to allay jitters about their access to funding. Others simply appear desperate for cash.

TD Among the latest examples: On Wednesday, Lear Corp., the auto-parts maker, said it drew down $400 million from its revolving credit facility "to protect against possible short-term disruptions in the credit markets."

Lear announced its new borrowings along with an aggressive cost-cutting plan. Last week, the Southfield, Mich., company warned that its 2008 performance would be worse than expected. Meanwhile, crafts retailer Michaels Stores Inc., controlled by private-equity firms Bain Capital and Blackstone Group LP, said it would draw down a $120 million revolving loan on Wednesday.

The drawdown trend started last month, when Lehman Brothers Holdings Inc.'s collapse further froze the credit markets. The first wave included automaker General Motors Corp., which last month drained the remaining $3.5 billion it had available on a $4.5 billion credit line.

Since then, at least 17 additional companies, including Goodyear Tire & Rubber Co., Gannett Co. and American **Electric** Power Inc. have disclosed that they've accessed the lending lines. Companies already carrying high debt levels, such as First Data Corp. and ServiceMaster Co. have done the same. Bankers say more companies are expected to report similar moves.

Revolvers are like credit cards for business. As soon as debt from the loan is repaid, the credit is replenished. Most companies regard their revolvers as "rainy day" funds used only in a pinch.

Before the credit crunch hit last year, many lenders entered into revolving credit lines under the assumption that clients probably would never actually tap them. As a result, the facilities generally had low interest rates and few strings attached. That made them only slightly profitable for the banks.

Analysts say it's unclear how much money companies may be eligible to draw down from existing credit facilities. At the end of 2007, banks had committed to lend about $2.8 trillion in large corporate loans such as revolvers, according to a survey released this month by federal banking regulators. Of that, only $1.2 trillion actually had been accessed by borrowers.

According to June 30 data filed with the Federal Reserve, Bank of America Corp. had $407 billion in "other unused commitments" -- essentially untapped credit lines other than credit cards and commitments to fund commercial or residential real-estate loans. J.P. Morgan Chase & Co. reported $301 billion in such unused loan commitments.

Analysts emphasized that companies won't draw down anything close to those amounts from either bank.

Still, some companies may be grabbing the cash just in case they need to file for bankruptcy protection. The money could prove essential, since the market for bankruptcy financing -- which allows companies to meet payroll and other obligations while they're restructuring -- has largely evaporated.

"They are worried the financing won't be there if they need it," said Tuck Hardie, managing director in the restructuring group at investment banking firm Houlihan Lokey Howard & Zukin.

The trend is intensifying pressure on some banks, because the added funds to a distressed borrower typically add risk to a bank's balance sheet. They also tie up capital at a time when the banks are trying to keep cash in house.

Officials at Citigroup Inc., for example, have been trying to persuade clients not to empty their lines, according to a person familiar with the matter. The bankers' pitch: It's unnecessary, it risks making the borrowers appear desperate and it's bad for the overall financial system.

Most clients, however, haven't been heeding Citigroup's pleas, and the drawdowns are more widespread than during past crises, the person said. While the trend has accelerated amid October's turmoil, it may be apparent in the third-quarter results of companies like Citigroup, which reports its performance on Thursday.

Not everyone is troubled. James Dimon, chief executive of J.P. Morgan, said Wednesday that he hasn't witnessed clients rushing to tap revolvers. "We're not really worried about it," he said.

But J.P. Morgan isn't immune from the trend.

Last week, for example, American **Electric** Power borrowed $1.4 billion from multiple credit lines due to "disruptions in the debt markets," the Columbus, Ohio, **utility** company said in a securities filing. Half of the funds came from a facility financed by J.P. Morgan and other banks. The latest borrowings are on top of $600 million that AEP drew down in mid-September.

Rackspace Hosting Inc., meanwhile, said Oct. 10 that it drew $150 million from a credit facility with units of J.P. Morgan, Comerica Inc., Wachovia Corp., Bank of America and Cullen/Frost Bankers Inc. The San Antonio information-technology company's finance chief described the move "as a prudent measure based on the uncertain economic conditions in the credit and bank markets."

Robin Sidel contributed to this article.

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