

GMAC INC.
Form 10-Q
May 07, 2010
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

▶ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2010, or

•• TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number: 1-3754

GMAC INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

38-0572512
*(I.R.S. Employer
Identification No.)*

200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000

(Address of principal executive offices)

(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing for the past 90 days.

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Yes ☒

No ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).

Yes ☐

No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒
(Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐

No ☒

At May 6, 2010, the number of shares outstanding of the Registrant's common stock was 799,120 shares.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****GMAC INC.****CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)**

	Three months ended March 31,	
	2010	2009
<i>(\$ in millions)</i>		
Revenue		
Finance receivables and loans		
Consumer	\$ 1,162	\$ 1,292
Commercial	436	426
Notes receivable from General Motors	55	42
Total finance receivables and loans	1,653	1,760
Loans held-for-sale	224	94
Interest on trading securities	1	23
Interest and dividends on available-for-sale investment securities	100	57
Interest bearing cash	15	44
Other interest income	4	29
Operating leases	1,163	1,603
Total financing revenue and other interest income	3,160	3,610
Interest expense		
Interest on deposits	158	177
Interest on short-term borrowings	117	161
Interest on long-term debt	1,485	1,738
Total interest expense	1,760	2,076
Depreciation expense on operating lease assets	656	1,057
Net financing revenue	744	477
Other revenue		
Servicing fees	387	408
Servicing asset valuation and hedge activities, net	(133)	(352)
Total servicing income, net	254	56
Insurance premiums and service revenue earned	468	495
Gain on mortgage and automotive loans, net	282	295
(Loss) gain on extinguishment of debt	(118)	644
Other gain (loss) on investments, net	140	(16)
Other income, net of losses	88	(211)
Total other revenue	1,114	1,263
Total net revenue	1,858	1,740
Provision for loan losses	145	795
Noninterest expense		
Compensation and benefits expense	430	371

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Insurance losses and loss adjustment expenses	211	285
Other operating expenses	904	1,029
Total noninterest expense	1,545	1,685
Income (loss) from continuing operations before income tax expense (benefit)	168	(740)
Income tax expense (benefit) from continuing operations	39	(126)
Net income (loss) from continuing operations	129	(614)
Income (loss) from discontinued operations, net of tax	33	(61)
Net income (loss)	\$ 162	\$ (675)

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**GMAC INC.****CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)**

<i>(\$ in millions)</i>	March 31, 2010	December 31, 2009
Assets		
Cash and cash equivalents		
Noninterest bearing	\$ 781	\$ 1,840
Interest bearing	13,889	12,948
Total cash and cash equivalents	14,670	14,788
Trading securities	144	739
Investment securities		
Available-for-sale	11,651	12,155
Held-to-maturity		3
Total investment securities	11,651	12,158
Loans held-for-sale (\$3,316 and \$5,545 fair value elected)	13,998	20,625
Finance receivables and loans, net of unearned income		
Consumer (\$2,572 and \$1,303 fair value elected)	51,928	42,849
Commercial	36,293	33,941
Notes receivable from General Motors	819	911
Allowance for loan losses	(2,480)	(2,445)
Total finance receivables and loans, net	86,560	75,256
Investment in operating leases, net	14,003	15,995
Mortgage servicing rights	3,543	3,554
Premiums receivable and other insurance assets	2,676	2,720
Other assets	18,943	19,887
Assets of operations held-for-sale	13,239	6,584
Total assets	\$ 179,427	\$ 172,306
Liabilities		
Deposit liabilities		
Noninterest bearing	\$ 1,927	\$ 1,755
Interest bearing	30,933	30,001
Total deposit liabilities	32,860	31,756
Debt		
Short-term borrowings	7,609	10,292
Long-term debt (\$2,384 and \$1,293 fair value elected)	90,276	88,021
Total debt	97,885	98,313
Interest payable	1,800	1,637
Unearned insurance premiums and service revenue	3,120	3,192
Reserves for insurance losses and loss adjustment expenses	1,091	1,215
Accrued expenses and other liabilities	9,914	10,456
Liabilities of operations held-for-sale	12,209	4,898
Total liabilities	158,879	151,467
Equity		
Common stock and paid-in capital	13,829	13,829
Preferred stock held by U.S. Department of Treasury	10,893	10,893

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Preferred stock	1,287	1,287
Accumulated deficit	(5,958)	(5,630)
Accumulated other comprehensive income	497	460
Total equity	20,548	20,839
 Total liabilities and equity	 \$ 179,427	 \$ 172,306

Table of Contents**GMAC INC.****CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)**

The assets of consolidated variable interest entities that can be used only to settle obligations of the consolidated variable interest entities and the liabilities of these entities for which creditors (or beneficial interest holders) do not have recourse to our general credit at March 31, 2010, were as follows.

(\$ in millions)

Assets	
Cash and cash equivalents	
Noninterest bearing	\$ 3
Interest bearing	21
Total cash and cash equivalents	24
Loans held-for-sale	649
Finance receivables and loans, net of unearned income	
Consumer (\$2,572 fair value elected)	21,304
Commercial	13,625
Allowance for loan losses	(470)
Total finance receivables and loans, net	34,459
Investment in operating leases, net	4,393
Other assets	6,140
Assets of operations held-for-sale	11,571
Total assets	\$ 57,236
Liabilities	
Debt	
Short-term borrowings	\$ 2,345
Long-term debt (\$2,384 fair value elected)	30,149
Total debt	32,494
Interest payable	29
Accrued expenses and other liabilities	1,288
Liabilities of operations held-for-sale	11,680
Total liabilities	\$ 45,491

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**GMAC INC.****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)****Three Months Ended March 31, 2010 and 2009**

	Members interests	Preferred interests held by U.S. Department of Treasury	Preferred interests	Retained earnings	Accumulated other comprehensive loss	Total equity	Comprehensive loss
(\$ in millions)							
Balance at January 1, 2009	\$ 9,670	\$ 5,000	\$ 1,287	\$ 6,286	\$ (389)	\$ 21,854	
Capital contributions (a)	1,247					1,247	
Net loss				(675)		(675)	\$ (675)
Preferred interests dividends paid to the U.S. Department of Treasury				(123)		(123)	
Dividends to members (a)				(110)		(110)	
Other				(4)		(4)	
Other comprehensive loss					(168)	(168)	(168)
Balance at March 31, 2009	\$ 10,917	\$ 5,000	\$ 1,287	\$ 5,374	\$ (557)	\$ 22,021	\$ (843)

	Common stock and paid-in capital	Preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity	Comprehensive income
(\$ in millions)							
Balance at January 1, 2010, before cumulative effect of adjustments (b)	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,630)	\$ 460	\$ 20,839	
Cumulative effect of a change in accounting principle, net of tax (c)				(57)	4	(53)	
Balance at January 1, 2010, after cumulative effect of adjustments	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,687)	\$ 464	\$ 20,786	
Net income				162		162	\$ 162
Preferred stock dividends paid to the U.S. Department of Treasury (d)				(386)		(386)	
Preferred stock dividends (a) (e)				(116)		(116)	
Dividends to shareholders (a)				(5)		(5)	
Other comprehensive income					33	33	33
Other (f)				74		74	
Balance at March 31, 2010	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,958)	\$ 497	\$ 20,548	\$ 195

(a) Refer to Note 17 to the Condensed Consolidated Financial Statements for further details.

(b) Effective June 30, 2009, GMAC LLC was converted from a Delaware limited liability company into a Delaware corporation and renamed GMAC Inc. Each unit of each class of common membership interest issued and outstanding by GMAC LLC immediately prior to the conversion was converted into an equivalent number of shares of common stock of GMAC Inc. with substantially the same rights and preferences as the common membership interests. Upon conversion, holders of GMAC LLC preferred interests also received an equivalent number of GMAC Inc. preferred stock with substantially the same rights and preferences as the former preferred interests.

(c)

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Cumulative effect of change in accounting principle, net of tax, due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

- (d) Includes quarterly cash dividend payments declared on January 8, 2010, of \$0.56 per share, or a total of \$129 million, and quarterly cash dividend payments declared on March 25, 2010, of \$1.125 per share, or a total of \$257 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2. Dividend payments declared January 8, 2010, were paid on February 15, 2010. Dividend payments declared on March 25, 2010, are payable on May 17, 2010.
- (e) Includes quarterly cash dividend payments declared on January 8, 2010, of \$17.31 per share, or a total of approximately \$45 million, and quarterly cash dividend payments declared on March 25, 2010, of \$17.89 per share, or a total of approximately \$46 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G. Dividend payments declared January 8, 2010, were paid on February 15, 2010. Dividend payments declared on March 25, 2010, are payable on May 17, 2010. Also includes \$26 million in dividends to the holders of Fixed Rate Perpetual Preferred Stock, Series A.
- (f) Pursuant to the operating agreement with our shareholders, our shareholders are permitted distributions to pay the taxes they incurred from ownership of their GMAC interests prior to our conversion from a tax partnership to a corporation. This amount represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009, through June 30, 2009.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**GMAC INC.****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)****Three Months Ended March 31, 2010 and 2009**

<i>(\$ in millions)</i>	2010	2009
Operating activities		
Net cash provided by (used in) by operating activities	\$ 7,373	\$ (1,654)
Investing activities		
Purchases of available-for-sale securities	(4,735)	(2,759)
Proceeds from sales of available-for-sale securities	2,664	1,298
Proceeds from maturities of available-for-sale securities	2,873	1,101
Net (increase) decrease in finance receivables and loans	(3,571)	3,816
Proceeds from sales of finance receivables and loans	1,187	871
Change in notes receivable from GM	71	463
Purchases of operating lease assets	(845)	(340)
Disposals of operating lease assets	2,278	1,784
Sale of business unit, net (a)	(526)	
Other, net	535	204
Net cash (used in) provided by investing activities	(69)	6,438
Financing activities		
Net change in short-term debt	(2,629)	(1,633)
Net increase in bank deposits	752	2,688
Proceeds from issuance of long-term debt	12,187	5,218
Repayments of long-term debt	(18,761)	(15,097)
Proceeds from issuance of common members' interests		1,247
Dividends paid	(199)	(233)
Other, net	294	698
Net cash used in financing activities	(8,356)	(7,112)
Effect of exchange-rate changes on cash and cash equivalents	378	510
Net decrease in cash and cash equivalents	(674)	(1,818)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	556	
Cash and cash equivalents at beginning of year	14,788	15,151
Cash and cash equivalents at March 31,	\$ 14,670	\$ 13,333

(a) Net of cash and cash equivalents of \$745 million of the business unit at the time of disposition.

(b) Cash flows of operations held-for-sale are reflected within operating, investing, and financing activities in the Condensed Consolidated Statement of Cash Flows. The cash balance of these operations are reported as assets of operations held-for-sale on the Condensed Consolidated Balance Sheet.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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GMAC INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Description of Business, Basis of Presentation, and Changes in Significant Accounting Policies

GMAC Inc. (referred to herein as GMAC, we, our, or us) was founded in 1919 as a wholly owned subsidiary of General Motors Corporation (currently General Motors Company or GM). We are one of the world's largest automotive financial services companies. On December 24, 2008, we became a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act). Our primary banking subsidiary is Ally Bank, which is an indirect wholly owned subsidiary of GMAC Inc.

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

The Condensed Consolidated Financial Statements as of March 31, 2010, and for the three months ended March 31, 2010 and 2009, are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) included in our Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the U.S. Securities and Exchange Commission.

Residential Capital, LLC

Residential Capital, LLC (ResCap), one of our mortgage subsidiaries, has been negatively impacted by the events and conditions in the mortgage banking industry and the broader economy. The market deterioration has led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap's operations. ResCap is highly leveraged relative to its cash flow and has recognized credit and valuation losses resulting in a significant deterioration in capital. ResCap's consolidated tangible net worth, as defined, was \$426 million as of March 31, 2010, and ResCap remained in compliance with all of its consolidated tangible net worth covenants. For this purpose, consolidated tangible net worth is defined as ResCap's consolidated equity excluding intangible assets. There continues to be a risk that ResCap will not be able to meet its debt service obligations, will default on its financial debt covenants due to insufficient capital, and/or will be in a negative liquidity position in 2010 or future periods.

ResCap actively manages its liquidity and capital positions and is continually working on initiatives to address its debt covenant compliance and liquidity needs including debt maturing in the next twelve months and other risks and uncertainties. ResCap's initiatives include, but are not limited to, the following: continuing to work with key credit providers to optimize all available liquidity options; continued reduction of assets and other restructuring activities; focusing production on government and prime conforming products; exploring strategic alternatives such as alliances, joint ventures, and other transactions with third parties; and continued exploration of opportunities for funding and capital support from GMAC and its affiliates. The outcomes of most of these initiatives are to a great extent outside of ResCap's control resulting in increased uncertainty as to their successful execution.

On December 30, 2009, we announced that as a result of our ongoing strategic review of how to best deploy GMAC's current and future capital liquidity, we decided to pursue strategic alternatives with respect to ResCap. In order to maximize value, we will consider a variety of options including one or more sales, spin-offs, or other potential transactions. The timing and form of execution of any such transactions will depend on market conditions.

Coincident with this announcement, ResCap announced in 2009 its decision to commit to a plan to sell its U.K. and continental Europe platforms. On April 12, 2010, we reached agreements to sell our mortgage assets and businesses in the United Kingdom and continental Europe. We classified the U.K. and continental Europe operations as held-for-sale during the three months ended December 31, 2009. Refer to Note 2 and Note 21 for additional information.

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GMAC INC.

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CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In the future, GMAC and ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include GMAC providing or declining to provide additional liquidity and capital support for ResCap; refinancing or restructuring some or all of ResCap's existing debt; the purchase or sale of ResCap debt securities in the public or private markets for cash or other consideration; entering into derivative or other hedging or similar transactions with respect to ResCap or its debt securities; GMAC purchasing assets from ResCap; or undertaking corporate transactions such as a tender offer or exchange offer for some or all of ResCap's outstanding debt securities, a merger, sale, asset sales, consolidation, spin-off, distribution, or other business combination or reorganization or similar action with respect to all or part of ResCap and/or its affiliates. In this context, GMAC and ResCap typically consider a number of factors to the extent applicable and appropriate including, without limitation, the financial condition, results of operations, and prospects of GMAC and ResCap; ResCap's ability to obtain third-party financing; tax considerations; the current and anticipated future trading price levels of ResCap's debt instruments; conditions in the mortgage banking industry and general economic conditions; other investment and business opportunities available to GMAC and/or ResCap; and any nonpublic information that ResCap may possess or that GMAC receives from ResCap.

ResCap remains heavily dependent on GMAC and its affiliates for funding and capital support, and there can be no assurance that GMAC or its affiliates will continue such actions or that GMAC will be successful in executing one or more sales, spin-offs, or other potential transactions with respect to ResCap.

Although our continued actions through various funding and capital initiatives demonstrate support for ResCap, other than as described above, there are currently no commitments or assurances for future funding and/or capital support. Consequently, there remains substantial doubt about ResCap's ability to continue as a going concern. Should we no longer continue to support the capital or liquidity needs of ResCap or should ResCap be unable to successfully execute other initiatives, it would have a material adverse effect on ResCap's business, results of operations, and financial position.

GMAC has extensive financing and hedging arrangements with ResCap that could be at risk of nonpayment if ResCap were to file for bankruptcy. As of March 31, 2010, we had approximately \$2.5 billion in secured financing arrangements with ResCap of which approximately \$1.5 billion in loans had been utilized. Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap's repayments of its financing facilities, including those with us, could be slower than if ResCap had not filed for bankruptcy. In addition, we could be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap's obligations to us. It is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. As a holder of unsecured notes, we would not receive any distributions for the benefit of creditors in a ResCap bankruptcy before secured creditors are repaid. In addition, should ResCap file for bankruptcy, our \$426 million investment related to ResCap's equity position would likely be reduced to zero. If a ResCap bankruptcy were to occur and a substantial amount of our credit exposure is not repaid to us, it would have an adverse impact on our near-term net income and capital position, but we do not believe it would have a materially adverse impact on GMAC's consolidated financial position over the longer term.

GMAC Conversion

Effective June 30, 2009, GMAC converted (the Conversion) from a Delaware limited liability company to a Delaware corporation pursuant to Section 18-216 of the Delaware Limited Liability Company Act and Section 265 of the Delaware General Corporation Law and was renamed GMAC Inc. In connection with the Conversion, each unit of each class of membership interest issued and outstanding immediately prior to the Conversion was converted into shares of capital stock of GMAC with substantially the same rights and preferences as such membership interests. Refer to Note 16 for additional information regarding the tax impact of the conversion.

Recently Adopted Accounting Standards

Accounting for Transfers of Financial Assets (Accounting Standards Update (ASU) 2009-16)

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As of January 1, 2010, we adopted ASU 2009-16 (formerly SFAS No. 166), which amended Accounting Standards Codification (ASC) Topic 860, *Transfers and Servicing*. This standard removed the concept of a qualifying special-purpose entity (QSPE) and created more stringent conditions for reporting a sale when a portion of a financial asset is transferred. To

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GMAC INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

determine if a transfer is to be accounted for as a sale, the transferor must assess whether it and all of the entities included in its consolidated financial statements have surrendered control of the assets. For partial asset transfers, the transferred portion must represent a pro rata component of the entire asset with no form of subordination. This standard is applied prospectively for transfers that occur on or after the effective date; however, the elimination of the QSPE concept required us to retrospectively assess all current off-balance sheet QSPE structures for consolidation under ASC Topic 810, *Consolidation*, and record a cumulative-effect adjustment to retained earnings for any consolidation change. Retrospective application of ASU 2009-16, specifically the QSPE removal, was assessed as part of the analysis required by ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to the section below for further information related to ASU 2009-17.

Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17)

As of January 1, 2010, we adopted ASU 2009-17 (formerly SFAS No. 167), which amended ASC Topic 810, *Consolidation*. This standard addresses the primary beneficiary assessment criteria for determining whether an entity is required to consolidate a variable interest entity (VIE). This standard requires an entity to determine whether it is the primary beneficiary by performing a qualitative assessment rather than using the quantitative-based model that was required under the previous accounting guidance. The qualitative assessment consists of determining whether the entity has both the power to direct the activities that most significantly impact the VIE's economic performance and the right to receive benefits or obligation to absorb losses that could potentially be significant to the VIE. As a result of the implementation of ASU 2009-16 and ASU 2009-17, several of our securitization structures previously held off-balance sheet were recognized as consolidated entities resulting in a day-one net increase of \$17.6 billion to assets and liabilities on our Condensed Consolidated Balance Sheet (\$10.1 billion of the increase related to operations classified as held-for-sale). As part of the day-one entry, there was an immaterial adjustment to our opening equity balance.

Expanded Disclosures about Fair Value Measurements (ASU 2010-06)

As of March 31, 2010, we adopted ASU 2010-06, which amends ASC Topic 820, *Fair Value Measurements*. This standard requires expanded disclosures related to asset and liability classes, Level 2 and Level 3 valuation methods and inputs, significant transfers between Levels 1 and 2, and the gross presentation of significant transfers into or out of Level 3 within the Level 3 rollforward. The standard also requires the gross presentation of purchases, sales, issuances, and settlements within the Level 3 rollforward; however, this specific requirement will not be effective for us until the three months ended March 31, 2011. While the adoption of ASU 2010-06 expanded our disclosures related to fair value measurements, it did not modify the accounting treatment or measurement of items at fair value and, as such, did not have a material impact on our financial statements.

Recently Issued Accounting Standards

Revenue Arrangements with Multiple Deliverables (ASU 2009-13)

In October 2009, the Financial Accounting Standards Board (FASB) issued ASU 2009-13, which amends ASC Topic 605, *Revenue Recognition*. The guidance significantly changes the accounting for revenue recognition in arrangements with multiple deliverables and eliminates the residual method, which allocated the discount of a multiple deliverable arrangement among the delivered items. Under the guidance, entities will be required to allocate the total consideration to all deliverables at inception using the relative selling price and to allocate any discount in the arrangement proportionally to each deliverable based on each deliverable's selling price. ASU 2009-13 is effective for revenue arrangements that we enter into or materially modify on or after January 1, 2011. We do not expect the adoption to have a material impact to our consolidated financial condition or results of operation.

Derivatives and Hedging – Scope Exception Related to Embedded Credit Derivatives (ASU 2010-11)

In March 2010, the FASB issued ASU 2010-11, which clarifies that the transfer of credit risk that is only in the form of subordination of one financial instrument to another financial instrument (such as the subordination of one beneficial interest to another tranche of a securitization) is

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an embedded derivative feature. The embedded derivative feature should not be subject to potential bifurcation or separate accounting under ASC 815, *Derivatives and Hedging*. In addition, the ASU provides guidance on whether other embedded credit derivatives in financial instruments are subject to bifurcation and separate accounting. ASU 2010-11 will be effective for us on July 1, 2010, and we do not expect the adoption to have a material impact on our consolidated condition or results of operation.

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GMAC INC.

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CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

2. Discontinued and Held-for-sale Operations
Discontinued Operations

During 2009, we committed to sell the U.S. consumer property and casualty insurance business of our Insurance operations. These operations provided vehicle and home insurance in the United States through a number of distribution channels, including independent agents, affinity groups, and the internet. Additionally, during 2009, we committed to sell the U.K. consumer property and casualty insurance business. During the first quarter of 2010, the sale of our U.S. consumer property and casualty insurance business was completed. We expect to complete the sale of our U.K. consumer property and casualty insurance business during 2010.

During 2009, we committed to sell the continental Europe operations of ResCap's International Business Group (IBG). These operations include residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations in the Netherlands and Germany. On April 12, 2010, we announced we had reached an agreement to sell our continental Europe operations. Refer to Note 21 for additional information.

During 2009, we committed to sell certain operations of our International Automotive Finance operations. These include the sale of our Argentina, Poland, and Ecuador operations and our Masterlease operations in Australia, Belgium, France, Italy, Mexico, the Netherlands, Poland, and the United Kingdom. Our Masterlease operations provide full-service individual leasing and fleet leasing products, including maintenance, fleet, and accident management services as well as fuel programs, short-term vehicle rental, and title and licensing services. As of December 31, 2009, the sales of the Masterlease operations in Italy, Mexico, and the Netherlands were completed. In April 2010, we completed the sale of the Masterlease operations in Australia and Poland. We expect to complete the remaining sales of these operations during 2010.

During 2009, we committed to sell the North American-based factoring business of our Commercial Finance Group. On April 30, 2010, the sale of the North American-based factoring business was completed.

We classified the assets and liabilities of these operations as discontinued operations held-for-sale using generally accepted accounting principles in the United States of America, as the associated operations and cash flows will be eliminated from our ongoing operations and we will not have any significant continuing involvement in their operations after the respective sale transactions. For all periods presented, all of the operating results for these operations have been removed from continuing operations and are presented separately as discontinued operations, net of tax. The Notes to the Condensed Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

The pretax losses for the discontinued operations recognized through March 31, 2010, including the direct costs to transact a sale, could differ from the ultimate sales price due to the fluidity of ongoing negotiations, price volatility, changing interest rates, changing foreign currency rates, and future economic conditions.

Table of Contents**GMAC INC.****NOTES TO CONDENSED****CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

Selected financial information of discontinued operations held-for-sale is summarized below.

(\$ in millions)	Three months ended March 31,	
	2010	2009
Select Mortgage operations		
Total net (loss)	\$ (5)	\$ (14)
Pretax (loss) including direct costs to transact a sale	(6)	(66)
Tax expense		2
Select Insurance operations		
Total net revenue	\$ 239	\$ 402
Pretax income including direct costs to transact a sale		23
Tax expense	4	3
Select International operations		
Total net revenue	\$ 66	\$ 63
Pretax income (loss) including direct costs to transact a sale	42	(7)
Tax expense	5	
Select Commercial Finance operations		
Total net revenue	\$ 8	\$ 7
Pretax income (loss) including direct costs to transact a sale	10	(6)
Tax expense	4	

Held-for-sale Operations

As discussed in the previous section, all of our discontinued operations were classified as held-for-sale. In addition to the discontinued operations, we classified the U.K.-based operations of ResCap's IBG operations as held-for-sale. Since the operations did not qualify as discontinued operations, the results are reflected as a component of continuing operations. The U.K.-based operations of IBG include residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations. The pretax losses for the held-for-sale operations recognized through March 31, 2010, including the direct costs to transact a sale, could differ from the ultimate sales price due to the fluidity of the negotiations, price volatility, changing interest rates, changing foreign currency rates, and future economic conditions. On April 12, 2010, we announced we had reached an agreement to sell IBG's U.K.-based operations. Refer to Note 21 for additional information.

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The assets and liabilities of held-for-sale operations at March 31, 2010, are summarized below.

(\$ in millions)	Select Mortgage operations (a)	Select Insurance operations (b)	Select International operations (c)	Select Commercial Finance Group operations (d)	Total held-for-sale operations
Assets					
Cash and cash equivalents					
Noninterest bearing	\$ 6	\$	\$ 24	\$	\$ 30
Interest bearing	186		5		191
Total cash and cash equivalents	192		29		221
Investment securities					
available-for-sale		464			464
Loans held-for-sale	196				196
Finance receivables and loans, net of unearned income					
Consumer	11,395		363		11,758
Commercial			205	248	453
Allowance for loan losses	(55)		(10)		(65)
Total finance receivables and loans, net	11,340		558	248	12,146
Investment in operating leases, net			807		807
Premiums receivable and other insurance assets		138			138
Other assets	459	132	109		700
Impairment on assets of held-for-sale operations	(899)	(209)	(306)	(19)	(1,433)
Total assets	\$ 11,288 (e)	\$ 525	\$ 1,197	\$ 229	\$ 13,239
Liabilities					
Debt					
Short-term borrowings	\$	\$	\$ 45	\$	\$ 45
Long-term debt	10,364		194		10,558
Total debt	10,364		239		10,603
Interest payable	21		1		22
Unearned insurance premiums and service revenue		123			123
Reserves for insurance losses and loss adjustment expenses		363			363
Accrued expenses and other liabilities	764	23	97	214	1,098

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Total liabilities	\$ 11,149	\$ 509	\$ 337	\$ 214	\$ 12,209
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- (a) Includes the operations of ResCap's International Business Group in continental Europe and in the United Kingdom. Balances include assets and liabilities that were consolidated beginning on January 1, 2010, due to the adoption of ASU 2009-16 and ASU 2009-17. Refer to Note 1 for additional information.
- (b) Includes the U.K. consumer property and casualty insurance business.
- (c) Includes the International Automotive Finance operations of Argentina, Ecuador, and Poland and Masterlease in Australia, Belgium, France, Poland, and the United Kingdom.
- (d) Includes the North American-based factoring business of our Commercial Finance Group.
- (e) Includes assets of \$1.1 billion related to the U.K.-based operations, which did not qualify as discontinued operations.

Table of Contents**GMAC INC.****NOTES TO CONDENSED****CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

The assets and liabilities of held-for-sale operations at December 31, 2009, are summarized below.

(\$ in millions)	Select Mortgage operations (a)	Select Insurance operations (b)	Select International operations (c)	Select Commercial Finance Group operations (d)	Total held-for-sale operations
Assets					
Cash and cash equivalents					
Noninterest bearing	\$ 4	\$ 578	\$ 33	\$	\$ 615
Interest bearing	151		11		162
Total cash and cash equivalents	155	578	44		777
Trading securities	36				36
Investment securities available-for-sale		794			794
Loans held-for-sale	214				214
Finance receivables and loans, net of unearned income					
Consumer	2,650		400		3,050
Commercial			246	233	479
Notes receivable from General Motors			14		14
Allowance for loan losses	(89)		(11)		(100)
Total finance receivables and loans, net	2,561		649	233	3,443
Investment in operating leases, net			885		885
Mortgage servicing rights	(26)				(26)
Premiums receivable and other insurance assets		1,126			1,126
Other assets	512	176	135		823
Impairment on assets of held-for-sale operations	(903)	(231)	(324)	(30)	(1,488)
Total assets	\$ 2,549 (e)	\$ 2,443	\$ 1,389	\$ 203	\$ 6,584
Liabilities					
Debt					
Short-term borrowings	\$	\$ 34	\$ 57	\$	\$ 91
Long-term debt	1,749		237		1,986
Total debt	1,749	34	294		2,077
Interest payable	3		1		4
Unearned insurance premiums and service revenue		517			517
Reserves for insurance losses and loss adjustment expenses		1,471			1,471
Accrued expenses and other liabilities	430	84	128	187	829

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Total liabilities	\$ 2,182	\$ 2,106	\$ 423	\$ 187	\$ 4,898
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- (a) Includes the operations of ResCap's International Business Group in continental Europe and in the United Kingdom.
- (b) Includes the U.S. and U.K. consumer property and casualty insurance businesses.
- (c) Includes the International Automotive Finance operations of Argentina, Ecuador, and Poland and Masterlease in Australia, Belgium, France, Poland, and the United Kingdom.
- (d) Includes the North American-based factoring business of our Commercial Finance Group.
- (e) Includes assets of \$991 million related to the U.K.-based operations, which did not qualify as discontinued operations.

Table of Contents**GMAC INC.****NOTES TO CONDENSED****CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****3. Other Income, Net of Losses**

Details of other income, net of losses, were as follows.

(\$ in millions)	Three months ended March 31,	
	2010	2009
Mortgage processing fees and other mortgage income	\$ 53	\$ 6
Late charges and other administrative fees (a)	38	41
Remarketing fees	31	33
Full-service leasing fees	28	31
Other equity method investments	12	4
Real estate services, net	6	(34)
Fair value adjustment on certain derivatives (b)	(55)	(157)
Change due to fair value option elections, net (c)	(73)	(30)
Other, net	48	(105)
Total other income, net of losses	\$ 88	\$ (211)

(a) Includes nonmortgage securitization fees.

(b) Refer to Note 15 for a description of derivative instruments and hedging activities.

(c) Refer to Note 18 for a description of fair value option elections.

4. Other Operating Expenses

Details of other operating expenses were as follows.

(\$ in millions)	Three months ended March 31,	
	2010	2009
Insurance commissions	\$ 146	\$ 159
Technology and communications expense	140	152
Professional services	58	87
Vehicle remarketing and repossession	55	48
Mortgage representation and warranty expense, net	50	176
Restructuring expenses	43	1
Lease and loan administration	31	39
Regulatory and licensing fees	31	19
Full-service leasing vehicle maintenance costs	29	32
State and local non-income taxes	25	18
Advertising and marketing	24	38
Rent and storage	23	29
Premises and equipment depreciation	19	25
Other	230	206

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Total other operating expenses	\$ 904	\$ 1,029
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The fair value for our portfolio of trading securities by type was as follows.

<i>(\$ in millions)</i>	March 31, 2010	December 31, 2009
Trading securities		
Mortgage-backed		
Residential	\$ 55	\$ 143
Asset-backed	89	596
Total trading securities	\$ 144	\$ 739

6. Investment Securities

Our portfolio of securities includes bonds, equity securities, asset-and mortgage-backed securities, notes, interests in securitization trusts, and other investments. The cost, fair value, and gross unrealized gains and losses on available-for-sale and held-to-maturity securities were as follows.

<i>(\$ in millions)</i>	March 31, 2010			Fair value	December 31, 2009			Fair value
	Cost	Gross unrealized gains	losses		Cost	Gross unrealized gains	losses	
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 3,665	\$ 22	\$ (4)	\$ 3,683	\$ 3,501	\$ 15	\$ (6)	\$ 3,510
States and political subdivisions	414	20	(4)	430	779	36	(4)	811
Foreign government	1,244	23	(6)	1,261	1,161	20	(8)	1,173
Mortgage-backed								
Residential (a)	2,896	87	(8)	2,975	3,404	76	(19)	3,461
Asset-backed	1,338	12		1,350	1,000	7	(2)	1,005
Corporate debt	1,053	45	(3)	1,095	1,408	74	(9)	1,473
Other	1			1	47			47
Total debt securities (b)	10,611	209	(25)	10,795	11,300	228	(48)	11,480
Equity securities	816	48	(8)	856	631	52	(8)	675
Total available-for-sale securities	\$ 11,427	\$ 257	\$ (33)	\$ 11,651	\$ 11,931	\$ 280	\$ (56)	\$ 12,155
Held-to-maturity securities								
Total held-to-maturity securities	\$	\$	\$	\$	\$ 3	\$	\$	\$ 3

(a) Residential mortgage-backed securities include agency-backed bonds totaling \$1,807 million and \$2,248 million at March 31, 2010, and December 31, 2009, respectively.

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- (b) In connection with certain borrowings and letters of credit relating to certain assumed reinsurance contracts, \$150 million and \$164 million of primarily U.K. Treasury securities were pledged as collateral as of March 31, 2010, and December 31, 2009, respectively.

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The maturity distribution of available-for-sale debt securities outstanding is summarized in the following tables. Prepayments may cause actual maturities to differ from scheduled maturities.

March 31, 2010 (\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 3,683	1.6%	\$ 179	1.4%	\$ 3,446	1.6%	\$ 58	3.8%	\$	%
States and political subdivisions	430	7.6	4	7.8	74	8.5	89	7.2	263	7.5
Foreign government	1,261	3.9	97	0.7	929	4.2	235	4.3		
Mortgage-backed										
Residential	2,975	4.5			2	6.5	32	4.5	2,941	4.5
Asset-backed	1,350	2.5	27	5.0	913	2.3	310	2.5	100	3.3
Corporate debt	1,095	5.0	231	3.2	418	5.5	416	5.5	30	6.0
Other	1	0.5	1	0.5						
Total available-for-sale debt securities	\$ 10,795	3.4%	\$ 539	2.3%	\$ 5,782	2.5%	\$ 1,140	4.4%	\$ 3,334	4.7%
Amortized cost of available-for-sale debt securities	\$ 10,611		\$ 535		\$ 5,723		\$ 1,106		\$ 3,247	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

(b) Yields on tax-exempt obligations have been computed on a tax-equivalent basis.

December 31, 2009 (\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 3,510	1.9%	\$ 103	1.1%	\$ 3,390	1.9%	\$ 17	4.1%	\$	%
States and political subdivisions	811	7.0	9	7.0	175	7.2	147	7.0	480	6.9
Foreign government	1,173	3.8	66	1.7	872	3.8	229	4.5	6	5.3
Mortgage-backed										
Residential	3,461	6.5			2	6.5	36	13.0	3,423	6.4
Asset-backed	1,005	2.5	34	5.2	735	2.3	186	2.6	50	3.9
Corporate debt	1,473	5.2	283	3.4	575	5.8	570	5.4	45	6.9
Other	47	3.6			32	3.4	15	4.0		

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Total available-for-sale debt securities	\$ 11,480	4.3%	\$ 495	2.8%	\$ 5,781	2.8%	\$ 1,200	5.2%	\$ 4,004	6.5%
Amortized cost of available-for-sale debt securities	\$ 11,300		\$ 473		\$ 5,728		\$ 1,169		\$ 3,930	

- (a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.
- (b) Yields on tax-exempt obligations have been computed on a tax-equivalent basis.

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The following table presents gross gains and losses realized upon the sales of available-for-sale securities and other-than-temporary impairment.

(\$ in millions)	Three months ended March 31,	
	2010	2009
Gross realized gains	\$ 151	\$ 49
Gross realized losses	(8)	(29)
Other-than-temporary impairment		(46)
Net realized gains (losses)	\$ 143	\$ (26)

The following table presents interest and dividends on available-for-sale securities.

(\$ in millions)	Three months ended March 31,	
	2010	2009
Taxable interest	\$ 90	\$ 46
Taxable dividends	3	
Interest and dividends exempt from U.S. federal income tax	7	11
Total interest and dividends	\$ 100	\$ 57

The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that has been applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of March 31, 2010, we do not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. Also, as of March 31, 2010, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss in accumulated other comprehensive income are not considered to be other-than-temporarily impaired as of March 31, 2010.

(\$ in millions)	March 31, 2010				December 31, 2009			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 529	\$ (4)	\$	\$	\$ 1,430	\$ (6)	\$	\$
States and political subdivisions	75	(2)	8	(2)	82	(2)	8	(2)
Foreign government securities	536	(6)	2		536	(8)		

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Mortgage-backed securities	657	(7)	3	(1)	811	(14)	6	(5)
Asset-backed securities	27				202	(1)	22	(1)
Corporate debt securities	66		42	(3)	47	(1)	120	(8)
Other					7			
Total temporarily impaired debt securities	1,890	(19)	55	(6)	3,115	(32)	156	(16)
Equity securities	149	(5)	24	(3)	115	(5)	52	(3)
Total temporarily impaired available-for-sale securities	\$ 2,039	\$ (24)	\$ 79	\$ (9)	\$ 3,230	\$ (37)	\$ 208	\$ (19)

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We employ a systematic methodology that considers available evidence in evaluating potential other-than-temporary impairment of our investments classified as available-for-sale. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value, the financial health of and business outlook for the issuer, changes to the rating of the security by a rating agency, the performance of the underlying assets for interests in securitized assets, whether we intend to sell the investment, and whether it is more likely than not we will be required to sell the debt security before recovery of its amortized cost basis. We had other-than-temporary impairment write-downs of \$0 million and \$46 million for the three months ended March 31, 2010 and 2009, respectively.

7. Loans Held-for-sale

The composition of loans held-for-sale was as follows.

(\$ in millions)	March 31, 2010			December 31, 2009		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer						
Automobile	\$ 4,424	\$ 971	\$ 5,395	\$ 9,417	\$ 184	\$ 9,601
1st Mortgage	7,081	476	7,557	9,269	530	9,799
Home equity	1,012		1,012	1,068		1,068
Total consumer (a)	12,517	1,447	13,964	19,754	714	20,468
Commercial						
Commercial and industrial						
Other		34	34		157	157
Total loans held-for-sale	\$ 12,517	\$ 1,481	\$ 13,998	\$ 19,754	\$ 871	\$ 20,625

(a) Domestic residential mortgages include \$3.3 billion and \$5.5 billion at fair value as a result of fair value option elections as of March 31, 2010, and December 31, 2009, respectively. Refer to Note 18 for additional information.

8. Finance Receivables and Loans, Net of Unearned Income

The composition of finance receivables and loans, net of unearned income outstanding, before allowance for loans losses, was as follows.

(\$ in millions)	March 31, 2010			December 31, 2009		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer						
Automobile	\$ 22,109	\$ 16,005	\$ 38,114	\$ 12,514	\$ 17,731	\$ 30,245
1st Mortgage	8,424	1,026	9,450	7,960	405	8,365
Home equity	4,364		4,364	4,238	1	4,239
Total consumer (a)	34,897	17,031	51,928	24,712	18,137	42,849

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Commercial						
Commercial and industrial						
Automobile	21,745	7,795	29,540	19,601	7,035	26,636
Mortgage	1,260	86	1,346	1,572	96	1,668
Resort finance	769		769	843		843
Other	1,828	331	2,159	1,845	437	2,282
Commercial real estate						
Automobile	2,088	195	2,283	2,008	221	2,229
Mortgage	53	143	196	121	162	283
Total commercial	27,743	8,550	36,293	25,990	7,951	33,941
Notes receivable from General Motors		819	819	3	908	911
Total finance receivables and loans (b)	\$ 62,640	\$ 26,400	\$ 89,040	\$ 50,705	\$ 26,996	\$ 77,701

(a) Residential mortgages include \$2.6 billion and \$1.3 billion at fair value as a result of fair value option elections as of March 31, 2010, and December 31, 2009, respectively. Refer to Note 18 for additional information.

(b) Totals are net of unearned income of \$2.7 billion and \$2.5 billion at March 31, 2010, and December 31, 2009, respectively.

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The following table presents an analysis of the activity in the allowance for loan losses on finance receivables and loans, net of unearned income.

(\$ in millions)	Three months ended March 31,					
	2010			2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Allowance at January 1,	\$ 1,664	\$ 781	\$ 2,445	\$ 2,536	\$ 897	\$ 3,433
Provision for loan losses	127	18	145	613	182	795
Charge-offs						
Domestic	(321)	(61)	(382)	(402)	(188)	(590)
Foreign	(58)	(4)	(62)	(73)	(12)	(85)
Total charge-offs	(379)	(65)	(444)	(475)	(200)	(675)
Recoveries						
Domestic	109	4	113	52	3	55
Foreign	15		15	15	1	16
Total recoveries	124	4	128	67	4	71
Net charge-offs	(255)	(61)	(316)	(408)	(196)	(604)
Addition of allowance due to change in accounting principle (a)	222		222			
Other	(4)	(12)	(16)	17	4	21
Allowance at March 31,	\$ 1,754	\$ 726	\$ 2,480	\$ 2,758	\$ 887	\$ 3,645

(a) Effect of change in accounting principle due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

The following tables present information about our impaired finance receivables and loans.

(\$ in millions)	March 31, 2010			December 31, 2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Impaired finance receivables and loans						
With an allowance	\$ 319	\$ 1,586	\$ 1,905	\$ 252	\$ 1,760	\$ 2,012
Without an allowance	18	274	292	16	296	312
Total impaired loans	\$ 337	\$ 1,860	\$ 2,197	\$ 268	\$ 2,056	\$ 2,324
Allowance for impaired loans	\$ 94	\$ 439	\$ 533	\$ 80	\$ 488	\$ 568

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(\$ in millions)	Three months ended March 31,					
	2010			2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Average balance of impaired loans	\$ 290	\$ 1,774	\$ 2,064	\$ 701	\$ 2,421	\$ 3,122
Interest income recognized on impaired loans	\$ 3	\$ 1	\$ 4	\$ 8	\$ 9	\$ 17

At March 31, 2010, and December 31, 2009, commercial commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructuring were \$20 million and \$12 million, respectively.

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9. Off-balance Sheet Securitizations

We sell pools of automotive and residential mortgage loans via securitization transactions, which provide permanent funding and asset and liability management. In executing the securitization transactions, we typically sell the pools to wholly owned special-purpose entities (SPEs), which then sell the loans to a separate, transaction-specific, bankruptcy-remote SPE (a securitization trust) for cash, servicing rights, and in some transactions, retained interests. The securitization trust issues and sells interests to investors that are collateralized by the secured loans and entitle the investors to specified cash flows generated from the securitized loans.

Our securitization transactions are accounted for under the requirements of ASC 810, *Consolidation*, and ASC 860, *Transfers and Servicing*. ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which amended ASC 810 and ASC 860, became effective on January 1, 2010, and required the prospective consolidation of certain securitization assets and liabilities that were previously held off-balance sheet. We reflected our economic interest in these newly consolidated structures primarily through loans and secured debt rather than as interests held in off-balance sheet securitization trusts. Refer to Note 1 for additional information related to the adoption of ASU 2009-16 and ASU 2009-17. Refer to Note 19 for additional information related to the consolidation of certain securitization trusts due to the adoption of the new standards.

The following discussion and related information is only applicable to the transfers of finance receivables and loans that qualify for off-balance sheet treatment.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization vehicle. The securitization vehicle is generally allowed to acquire the loans being sold to it, to issue interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the asset pool or debt securities. Additionally, the securitization vehicle is required to service the assets it holds and the debt or interest it has issued. A servicer appointed within the underlying legal documents performs these functions. Servicing functions include, but are not limited to, collecting payments from borrowers, performing escrow functions, monitoring delinquencies, liquidating assets, investing funds until distribution, remitting payments to investors, and accounting for and reporting information to investors.

As part of our off-balance sheet securitizations, we typically retain servicing responsibilities and, in some cases, other insignificant senior retained interests. Accordingly, our servicing responsibilities result in continued involvement in the form of servicing the underlying asset (primary servicing) and/or servicing the bonds resulting from the securitization transactions (master servicing) through servicing platforms. Certain securitizations require the servicer to advance scheduled principal and interest payments due on the pool regardless of whether they are received from borrowers. Accordingly, we are required to provide these servicing advances when applicable. Typically, we conclude that the fee we are paid for servicing retail automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. Refer to Note 1 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K regarding the valuation of servicing rights.

Subsequent to the adoption of ASU 2009-16 and ASU 2009-17 as of January 1, 2010, we generally do not hold significant or potentially significant retained interests in our securitization trusts that qualify for off-balance sheet treatment under ASU 2009-17.

Generally, the assets initially transferred into the securitization vehicle are the sole funding source to the investors in the securitization trust and the various other parties that perform services for the transaction, such as the servicer or the trustee. In certain transactions, a liquidity provider or facility may exist to provide temporary liquidity to the structure. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. Bond insurance may also exist to cover certain shortfalls to certain investors. As noted above, in certain securitizations, the servicer is required to advance scheduled principal and interest payments due on the pool regardless of whether they have been received from the borrowers. The servicer is allowed to reimburse itself for these servicing advances. Additionally, certain securitization transactions may allow for the acquisition of additional loans subsequent to the initial loan. Principal collections on other loans and/or the

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issuance of new interests, such as variable funding notes, generally fund these loans; we are often contractually required to invest in these new interests. Lastly, we provide certain guarantees as discussed in Note 30 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

The investors and/or securitization trusts have no recourse to us with the exception of market customary representation and warranty repurchase provisions and, in certain transactions, early payment default provisions. Representation and warranty repurchase provisions generally require us to repurchase loans to the extent it is subsequently determined that the loans were ineligible or were otherwise defective at the time of sale. Due to market conditions, early payment default provisions were included in certain securitization transactions that require us to repurchase loans if the borrower is delinquent in making certain specific payments subsequent to the sale.

We generally hold certain conditional repurchase options that allow us to repurchase assets from the securitization. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining assets or outstanding debt once the asset pool reaches a predefined level, which represents the point where servicing is burdensome rather than beneficial. Such an option is referred to as a clean-up call. As servicer, we are able to exercise this option at our discretion anytime after the asset pool size falls below the predefined level. The repurchase price for the loans is typically par plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase the asset if certain events, outside our control, are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan if it exceeds a certain prespecified delinquency level. We have complete discretion regarding when or if we will exercise these options, but generally, we will do so when it is in our best interest.

The loans sold into off-balance sheet securitization transactions are removed from our balance sheet. The assets obtained from the securitization are primarily reported as cash, servicing rights, or (if retained) retained interests. We have elected fair value treatment for our existing mortgage servicing rights portfolio. Liabilities incurred as part of the transaction, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

The following summarizes the pretax gains and losses recognized on the types of loans sold into off-balance sheet securitization transactions.

	Three months ended	
	March 31,	
<i>(\$ in millions)</i>	2010	2009
Retail finance receivables	\$	\$
Automotive wholesale loans		64
Mortgage loans		