GMAC INC.
Form 10-Q
November 10, 2009
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009, 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	**38-0572512**
(State or other jurisdiction of incorporation or organization)	*(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.

Yes þ 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 þ Smaller reporting company ¨
(Do not check if a 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 þ

At November 10, 2009, the number of shares outstanding of the Registrant s common stock was 539,920 shares.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

GMAC INC.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2009**	2008	**2009**	2008
Revenue				
Consumer	**$ 1,211**	$ 1,687	**$ 3,803**	$ 5,267
Commercial	**424**	597	**1,317**	1,853
Loans held-for-sale	**160**	246	**441**	918
Operating leases	**1,454**	2,027	**4,690**	6,097
Interest and dividends on investment securities	**113**	125	**287**	486
Other interest income	**55**	269	**175**	923
Total financing revenue and other interest income	**3,417**	4,951	**10,713**	15,544
Interest expense				
Interest on deposits	**178**	179	**535**	533
Interest on short-term borrowings	**104**	425	**386**	1,522
Interest on long-term debt	**1,555**	2,084	**5,025**	6,487
Other interest expense	**62**	192	**179**	338
Total interest expense	**1,899**	2,880	**6,125**	8,880
Depreciation expense on operating lease assets	**944**	1,472	**3,154**	4,307
Impairment of investment in operating leases		93		808
Net financing revenue	**574**	506	**1,434**	1,549
Other revenue				
Servicing fees	**384**	441	**1,191**	1,377
Servicing asset valuation and hedge activities, net	**(110)**	(261)	**(710)**	(36)
Insurance premiums and service revenue earned	**582**	791	**1,697**	2,352
Gain (loss) on mortgage and automotive loans, net	**194**	25	**128**	(1,674)
Gain on extinguishment of debt	**10**	59	**667**	1,164
Other gain (loss) on investments, net	**216**	(396)	**297**	(846)
Other income, net of losses	**259**	35	**67**	64
Total other revenue	**1,535**	694	**3,337**	2,401
Total net revenue	**2,109**	1,200	**4,771**	3,950
Provision for loan losses	**704**	1,099	**2,708**	2,345
Noninterest expense				
Compensation and benefits expense	**441**	573	**1,248**	1,699
Insurance losses and loss adjustment expenses	**335**	423	**984**	1,310
Other operating expenses	**1,592**	1,728	**3,830**	4,149
Impairment of goodwill		16		16
Total noninterest expense	**2,368**	2,740	**6,062**	7,174
Loss from continuing operations before income tax (benefit) expense	**(963)**	(2,639)	**(3,999)**	(5,569)

Income tax (benefit) expense from continuing operations	**(292)**	(101)	**681**	72
Net loss from continuing operations	**(671)**	(2,538)	**(4,680)**	(5,641)
(Loss) income from discontinued operations, net of tax	**(96)**	15	**(665)**	47
Net loss	**$ (767)**	$ (2,523)	**$ (5,345)**	$ (5,594)

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

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GMAC INC.

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

($ in millions)	**September 30, 2009**	December 31, 2008
Assets		
Cash and cash equivalents	**$ 14,225**	$ 15,151
Investment securities		
Trading	**908**	1,207
Available-for-sale	**13,465**	6,234
Held-to-maturity	**3**	3
Total investment securities	**14,376**	7,444
Loans held-for-sale ($4,305 fair value elected at September 30, 2009)	**14,963**	7,919
Finance receivables and loans, net of unearned income		
Consumer ($1,543 and $1,861 fair value elected)	**53,845**	63,963
Commercial	**33,607**	36,110
Allowance for loan losses	**(2,974)**	(3,433)
Total finance receivables and loans, net	**84,478**	96,640
Investment in operating leases, net	**18,867**	26,390
Notes receivable from General Motors	**969**	1,655
Mortgage servicing rights	**3,243**	2,848
Premiums receivable and other insurance assets	**3,361**	4,507
Other assets	**21,333**	26,922
Assets of discontinued operations held-for-sale	**2,439**	
Total assets	**$ 178,254**	$ 189,476
Liabilities		
Debt		
Unsecured	**$ 45,295**	$ 53,213
Secured ($1,529 and $1,899 fair value elected)	**56,746**	73,108
Total debt	**102,041**	126,321
Interest payable	**1,716**	1,517
Unearned insurance premiums and service revenue	**3,559**	4,356
Reserves for insurance losses and loss adjustment expenses	**1,683**	2,895
Deposit liabilities	**29,324**	19,807
Accrued expenses and other liabilities	**13,208**	12,726
Liabilities of discontinued operations held-for-sale	**1,782**	
Total liabilities	**153,313**	167,622
Equity		
Common stock and paid-in capital (Members interests at December 31, 2008)	**10,917**	9,670
Preferred stock held by U.S. Department of Treasury (Preferred interests held by U.S. Department of Treasury at December 31, 2008)	**12,500**	5,000
Preferred stock (Preferred interests at December 31, 2008)	**1,287**	1,287
(Accumulated deficit) retained earnings	**(167)**	6,286
Accumulated other comprehensive income (loss)	**404**	(389)
Total equity	**24,941**	21,854

Total liabilities and equity	**$ 178,254**	$ 189,476

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

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GMAC INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

Nine Months Ended September 30, 2009 and 2008

($ in millions)	Members interests	Preferred interests held by U.S. Department of Treasury	Preferred interests	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total equity	Comprehensive income (loss)
Balance at January 1, 2008, before cumulative effect of adjustments	$ 8,912		$ 1,052	$ 4,649	$ 952	$ 15,565	
Cumulative effect of a change in accounting principle, net of tax							
Adoption of FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (a)				23		23	
Adoption of fair value option in accordance with FASB ASC Topic 825, *Financial Instruments* (a)				(178)		(178)	
Balance at January 1, 2008, after cumulative effect of adjustments	8,912		1,052	4,494	952	15,410	
Capital contributions	8					8	
Net loss				(5,594)		(5,594)	$ (5,594)
Dividends to members (b)				(47)		(47)	
Other				3		3	
Other comprehensive loss					(532)	(532)	(532)
Balance at September 30, 2008	$ 8,920		$ 1,052	$ (1,144)	$ 420	$ 9,248	$ (6,126)
Balance at January 1, 2009	**$ 9,670**	**$ 5,000**	**$ 1,287**	**$ 6,286**	**$ (389)**	**$ 21,854**	
Capital contributions (b)	**1,247**					**1,247**	
Net loss				**(4,578)**		**(4,578)**	**$ (4,578)**
Preferred interest dividends paid to the U.S. Department of Treasury				**(160)**		**(160)**	
Preferred interests dividends				**(195)**		**(195)**	
Dividends to members (b)				**(119)**		**(119)**	
Issuance of preferred interests held by U.S. Department of Treasury		**7,500**				**7,500**	
Other comprehensive income					**497**	**497**	**497**
Balance at June 30, 2009, before conversion from limited liability company to a corporation (c)	**$ 10,917**	**$ 12,500**	**$ 1,287**	**$ 1,234**	**$ 108**	**$ 26,046**	**$ (4,081)**

($ in millions)	Common stock and paid-in capital	Preferred stock held by U.S. Department of Treasury	Preferred stock	Retained earnings (accumulated deficit)	Accumulated other comprehensive income	Total equity	Comprehensive income (loss)
Balance at June 30, 2009, after conversion from limited liability company to a corporation (c)	**$ 10,917**	**$ 12,500**	**$ 1,287**	**$ 1,234**	**$ 108**	**$ 26,046**	**$ (4,081)**
Net loss				**(767)**		**(767)**	**(767)**

Preferred interests dividends paid to the U.S. Department of Treasury				**(271)**		**(271)**	
Preferred interests dividends (b)				**(103)**		**(103)**	
Dividends to members (b)				**(260)**		**(260)**	
Other comprehensive income					**296**	**296**	**296**
Balance at September 30, 2009	**$ 10,917**	**$ 12,500**	**$ 1,287**	**$ (167)**	**$ 404**	**$ 24,941**	**$ (4,552)**

(a) Refer to Note 16 to the Condensed Consolidated Financial Statements for further details.
(b) Refer to Note 15 to the Condensed Consolidated Financial Statements for further details.
(c) 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. Refer to Note 1 to the Condensed Consolidated Financial Statement for further details.

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

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GMAC INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Nine Months Ended September 30, 2009 and 2008

($ in millions)	**2009**	2008
Operating activities		
Net cash provided by operating activities	**$ 1,952**	$ 10,270
Investing activities		
Purchases of available-for-sale securities	**(17,288)**	(12,096)
Proceeds from sales of available-for-sale securities	**6,669**	12,544
Proceeds from maturities of available-for-sale securities	**3,282**	4,369
Net decrease in finance receivables and loans	**9,813**	1,071
Proceeds from sales of finance receivables and loans	**457**	1,329
Purchases of operating lease assets	**(465)**	(9,781)
Disposals of operating lease assets	**4,894**	5,551
Sales of mortgage servicing rights	**7**	484
Net decrease (increase) in notes receivable from General Motors	**751**	(348)
Proceeds from sales of business units, net	**96**	
Other, net	**485**	426
Net cash provided by investing activities	**8,701**	3,549
Financing activities		
Net decrease in short-term debt	**(919)**	(15,565)
Net increase in bank deposits	**8,132**	4,053
Proceeds from issuance of long-term debt	**23,851**	37,340
Repayments of long-term debt	**(51,000)**	(44,181)
Proceeds from issuance of preferred interests held by U.S. Department of Treasury	**7,500**	
Proceeds from issuance of common membership interests	**1,247**	
Dividends paid	**(1,082)**	(82)
Other, net	**1,282**	189
Net cash used in financing activities	**(10,989)**	(18,246)
Effect of exchange rate changes on cash and cash equivalents	**(28)**	284
Net decrease in cash and cash equivalents	**(364)**	(4,143)
Cash and cash equivalents reclassified to assets of discontinued operations held-for-sale	**(562)**	
Cash and cash equivalents at beginning of year	**15,151**	17,677
Cash and cash equivalents at September 30,	**$ 14,225**	$ 13,534

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. was founded in 1919 as a wholly owned subsidiary of General Motors Corporation. On November 30, 2006, General Motors Corporation sold a 51% interest in us (the Sale Transactions) to FIM Holdings LLC (FIM Holdings), an investment consortium led by Cerberus FIM Investors, LLC, the sole managing member. On December 24, 2008, the Board of Governors of the Federal Reserve System (the Board of Governors) approved our application to become a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act). In connection with this approval, General Motors Corporation and FIM Holdings were required to significantly reduce their voting equity ownership interests in GMAC. These reductions in ownership occurred in 2009. The terms GMAC, the Company, we, our, and us ref GMAC Inc. and its subsidiaries as a consolidated entity except where it is clear that the terms mean only GMAC Inc.

The Condensed Consolidated Financial Statements as of September 30, 2009, and for the three months and nine months ended September 30, 2009 and 2008, are unaudited but, in management s opinion, include all normal recurring adjustments necessary for the fair presentation of the interim-period results.

The interim-period consolidated financial statements, including the related notes, are condensed and prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim reporting. Certain amounts in prior periods have been reclassified to conform to the current period s presentation. We made these reclassifications and certain presentation changes to more closely conform to Article 9 of Regulation S-X as a result of the Federal Reserve System s approval for us to become a bank holding company. In our Condensed Consolidated Statement of Income, we reclassified interest and dividends on investment securities from investment income (a component of total other revenue) to a separate financial statement line item within total financing revenue and other interest income. Additionally, we reclassified other interest income from other income, net of losses (a component of total other revenue), to a separate financial statement line item within total financing revenue and other interest income. Presentation changes were made to interest expense in the Condensed Consolidated Statement of Income and investment securities on the Condensed Consolidated Balance Sheet to provide detail on the composition of these financial statement line items. We also reclassified certain uncertificated investments from investment securities to other assets on the Condensed Consolidated Balance Sheet, consistent with industry practice. During the three months ended September 30, 2009, we also reclassified operating lease disposal gains (losses) from other operating expenses to depreciation expense on operating lease assets in the Condensed Consolidated Statement of Income. Additionally, we are in the process of modifying information systems to address Article 9 guidelines that are not reflected in this Form 10-Q. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These interim-period Condensed Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2008, filed with the United States Securities and Exchange Commission (SEC) on February 26, 2009.

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 continues to recognize credit and valuation losses resulting in a significant deterioration in capital. During the first nine months of 2009, ResCap received capital contributions from GMAC of $1.2 billion and recognized a gain on extinguishment of debt of $1.7 billion as a result of completed divestitures to GMAC and through contributions and forgiveness of ResCap s outstanding notes, which GMAC previously repurchased in the open market at a discount or through our private debt exchange and cash tender offers. Accordingly, ResCap s consolidated tangible net worth, as defined, was $409 million as of September 30, 2009, and 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 and any equity in Ally Bank to the extent included on ResCap s consolidated balance sheet. 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 2009 or future periods.

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GMAC INC.

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CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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 continually exploring 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.

GMAC and ResCap actively review their relationship on a continuing basis. In the future, GMAC and ResCap may take 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, 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. We have previously disclosed that ResCap is an important subsidiary and that we believe the support we have provided to ResCap was in the best interests of our stakeholders. We have further disclosed that if ResCap were to need additional support, we would provide that support so long as it was in the best interests of our stakeholders.

Although our continued actions through various funding and capital initiatives demonstrate support for ResCap, our status as a bank holding company, completion of our private debt exchange and cash tender offers in 2008, and further capital actions in 2009 better position us to be capable of supporting ResCap, 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 September 30, 2009, we had approximately $3.4 billion in secured financing arrangements and secured hedging agreements with ResCap of which approximately $2.3 billion in loans and $32 million related to hedging agreements had been utilized. We also owned approximately $34 million of ResCap secured notes (with a ResCap book value of $42 million). 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 $0.4 billion investment related to ResCap s equity position would likely be reduced to zero. GMAC would also have potential exposure relative to the recoverability of other assets attributable to ResCap of $232 million, primarily related to deferred tax assets. 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.

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GMAC INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Change in Reportable Segment Information

As a result of a change in management s view of certain corporate intercompany activities, we have reclassified certain transactions between our Mortgage operations reportable segment and our Corporate and Other reportable segment. These transactions relate to intercompany gains and losses associated with GMAC s forgiveness of ResCap debt that was obtained by GMAC in open market repurchases and the December 2008 bond exchange. Prior to the June 30, 2009, reporting period, gains associated with this forgiveness were reported as part of our Mortgage operations segment, which required offsetting eliminations to be reported as part of our Corporate and Other reportable segment. As a result of the change in this reporting period, the associated gains and eliminations have both been reported within the Corporate and Other reportable segment. Comparative amounts for 2008 have been reclassified to conform to the current management view. These gains represent the difference between ResCap s carrying value of the debt and the market value of the debt at the time of forgiveness. This reclassification was made because management no longer includes these gains in its evaluation of the Mortgage operations results. Further, this reclassification is intended to clarify and simplify the presentation of our segment results. These reclassifications did not affect our consolidated results of operations.

Issuance of Preferred Equity

On May 21, 2009, GMAC entered into an agreement with the U.S. Department of the Treasury (the Treasury) pursuant to which GMAC issued and sold to the Treasury (1) 150,000,000 units of GMAC s Fixed Rate Cumulative Mandatorily Convertible Preferred Membership Interests, Series F, having a capital amount of $50 per unit (the Series F Interests) and (2) a ten-year warrant to purchase up to 7,501,500 units of the Series F Interests at an initial exercise price of $0.01 per unit (the Warrant) for an aggregate purchase price of $7.5 billion in cash. The Treasury immediately exercised the Warrant for a net issuance of 7,500,000 units of the Series F Interests. As described below, as a result of the Conversion (as defined below) the Series F Interests have been converted into GMAC Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F (Series F Preferred Stock).

The Series F Preferred Stock is convertible into GMAC common stock at the Conversion Rate (as defined below) either: (1) at GMAC s option, at any time or from time to time, and subject to certain exceptions and requirements with the prior approval of the Board of Governors of the Federal Reserve System; or (2) at the Treasury s option, upon the occurrence of (a) any public offering of GMAC common stock or (b) certain sales, mergers, or changes of control of GMAC. All units of the Series F Preferred Stock that remain outstanding on May 21, 2016, will convert into GMAC common stock at the Conversion Rate.

The Conversion Rate is equal to 0.00432, subject to customary antidilution adjustments, which represents the number of shares of common stock for which each unit of the Series F Preferred Stock will be exchanged upon conversion. The Conversion Rate was determined based on the valuation performed by an independent investment bank hired by GMAC with the consent of the Treasury.

GMAC Conversion

Effective June 30, 2009, GMAC was converted (the Conversion) from a Delaware limited liability company into 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 14 for additional information regarding the tax impact of the conversion.

Holders of GMAC s common membership interests received an equivalent number of shares of common stock of GMAC Inc. Holders of GMAC s GM Preferred Membership Interests received an equivalent number of shares of GMAC Fixed Rate Perpetual Preferred Stock, Series A. Holders of GMAC s Class C Membership Interests received an equivalent number of shares of GMAC Preferred Stock, Series C-1. Holders of GMAC s Class D-1 Fixed Rate Cumulative Perpetual Preferred Membership Interests received an equivalent number of shares of GMAC Fixed Rate Cumulative Perpetual Preferred Stock, Series D-1. Holders of GMAC s Class D-2 Fixed Rate Cumulative Perpetual

Preferred Membership Interests received an equivalent number of shares of GMAC Fixed Rate Cumulative Perpetual Preferred Stock,

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GMAC INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Series D-2. Holders of GMAC s Class E Fixed Rate Perpetual Preferred Membership Interests received an equivalent number of shares of GMAC s Fixed Rate Perpetual Preferred Stock, Series E. Holders of GMAC s Class F Fixed Rate Cumulative Mandatorily Convertible Preferred Membership Interests received an equivalent number of shares of GMAC Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F. Refer to Note 19 for subsequent restructuring transactions regarding the Series E Perpetual Preferred Stock.

Impairment of Long-lived Assets

An impairment test on an asset group to be discontinued, held-for-sale, or otherwise disposed of is performed upon occurrence of a triggering event or when certain criteria are met (e.g., the asset can be disposed of currently, appropriate levels of authority have approved the sale, and there is an active program to locate a buyer). Long-lived assets held-for-sale are recorded at the lower of their carrying amount or estimated fair value less cost to sell. If the carrying value of the assets held-for-sale exceeds the fair value less cost to sell, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets less cost to sell.

Recently Adopted Accounting Standards

SFAS No. 161 (FASB Accounting Standard Codification (ASC) 815) As of January 1, 2009, we adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 requires specific disclosures regarding the location and amounts of derivative instruments in the financial statements; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect the financial position, financial performance, and cash flows. Because SFAS 161 impacted only the disclosure and not the accounting treatment for derivative instruments and related hedged items, the adoption of SFAS 161 did not have an impact on our consolidated financial condition or results of operations. Refer to Note 13 for disclosures required by SFAS 161.

FSP FAS No. 107-1 and APB No. 28-1 (FASB ASC 825) As of June 30, 2009, we adopted FSP FAS No. 107-1 and APB No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP FAS 107-1 and APB 28-1), which amends SFAS 107 (FASB ASC 825), *Disclosures about Fair Value of Financial Instruments,* to require disclosures about fair value of financial instruments in interim periods. Additionally, the guidance amends APB 28 (FASB ASC 270), *Interim Financial Reporting,* to require these disclosures in all interim financial statements. Since the guidance relates only to disclosures, adoption did not have a material effect on our consolidated financial condition or results of operations.

FSP FAS No. 115-2 and FSP FAS No. 124-2 (FASB ASC 320) As of April 1, 2009, we adopted FSP FAS No. 115-2 and FSP FAS No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2 and FSP FAS 124-2), which amends the guidance for determining and recognizing impairment on debt securities. Under this FSP, an other-than-temporary impairment must be recognized if an entity has the intent to sell the debt security or if it is more-likely-than-not that it will be required to sell the debt security before recovery of its amortized cost basis. In addition, the guidance changes the amount of impairment to be recognized in current period earnings when an entity does not have the intent to sell or it is not more-likely-than-not that it will be required to sell the debt security. In these cases, only the amount of the impairment associated with credit losses is recognized in earnings with all other fair value components in other comprehensive income. The guidance also requires additional disclosures regarding the calculation of credit losses as well as factors considered in reaching a conclusion that an investment is not other-than-temporarily impaired. This FSP is effective for periods ending after June 15, 2009. The adoption of FSP 115-2 and FSP 124-2 did not have a material impact on our consolidated financial condition or results of operations.

FSP FAS No. 157-4 (FASB ASC 820) As of April 1, 2009, we adopted FSP FAS No. 157-4, *Determining Whether a Market is Not Active and a Transaction is Not Distressed* (FSP FAS 157-4), which clarifies the guidance for determining fair value under SFAS 157 (FASB ASC 820), *Fair Value Measurements.* This guidance provides application guidance to assist preparers in determining whether an observed transaction has occurred in an inactive market and is also distressed. This FSP is effective for periods ending after June 15, 2009. The impact of adopting FSP FAS 157-4 did not have a material impact on our consolidated financial condition or results of operations.

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Recently Issued Accounting Standards

SFAS No. 166 In June 2009, the FASB issued SFAS No. 166*, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140* (SFAS 166), to simplify guidance for transfers of financial assets in SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. The guidance removes the concept of a qualifying special-purpose entity (QSPE), which will result in securitization and other asset-backed financing vehicles to be evaluated for consolidation under SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167). SFAS 166 also expands legal isolation analysis, limits when a portion of a financial asset can be derecognized, and clarifies that an entity must consider all arrangements or agreements made contemporaneously with, or in contemplation of, a transfer when applying the derecognition criteria. SFAS 166 is effective for first annual reporting periods beginning after November 15, 2009, and is to be applied prospectively. The elimination of the QSPE concept will require us to retrospectively assess all current off-balance sheet QSPE structures for consolidation under SFAS 167 and record a cumulative-effect adjustment to retained earnings for any consolidation change. Retrospective application of SFAS 166, specifically the QSPE removal, is being assessed as part of SFAS 167, noted below.

SFAS No. 167 In June 2009, the FASB issued SFAS 167, which addresses the primary beneficiary assessment criteria for determining whether an entity is to consolidate a variable interest entity (VIE). An entity shall consolidate a VIE (and thus be considered the primary beneficiary) if it contains both the following characteristics: the power to direct the activities of the VIE that most significantly affects economic performance and the obligation to absorb losses or right to receive benefits that could potentially be significant to the VIE. SFAS 167 also provides guidance in relation to the elimination of the QSPE concept from SFAS 166. This statement is effective for first annual reporting periods beginning after November 15, 2009. Due to market movements prior to the effective date, continued interpretation around concepts within the accounting guidance, and internal mitigation initiatives, the estimate of the impact is not available at this time. We anticipate the primary impact will be an increase in the size of our balance sheet due to the consolidation of certain securitization transactions that are currently off balance sheet.

2. Discontinued Operations and Held-for-sale Operations

During the three months ended September 30, 2009, we committed to sell the U.S. consumer property and casualty insurance business of our Insurance operations. These operations provide vehicle and home insurance in the United States through a number of distribution channels, including independent agents, affinity groups, and the internet. In connection with the classification of these operations as held-for-sale we recognized a pretax loss, including direct costs to transact a sale, of $48 million during the three months ended September 30, 2009. The loss represents the impairment recognized to present the discontinued operations at the lower of cost or fair value less costs to sell. The fair value less costs to sell was determined based on sales price negotiations with potential third-party purchasers (a level 2 fair value input). We expect to complete the sale during the first quarter of 2010.

Similarly, during the three months ended September 30, 2009, we also committed to sell certain operations of our International Automotive Finance operations. These include the sale of our Argentina operations and our Masterlease operations in the United Kingdom and Italy. 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. In connection with the classification of these operations as held-for-sale we recognized a pretax loss of $227 million during the three months ended September 30, 2009. The loss represents the impairment recognized to present the discontinued operations at the lower of cost or fair value less costs to sell. The fair value less costs to sell was determined based on sales price negotiations with potential third-party purchasers (a level 2 fair value input). We expect to complete the sales of these operations within the next twelve months.

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2009**	2008	**2009**	2008
Select Insurance operations				
Total net revenue	**$ 281**	$ 360	**$ 900**	$ 1,093
Pretax (loss) income including direct costs to transact a sale	**(25)**	31	**(568)**	82
Tax (benefit) expense	**(96)**	5	**(80)**	19
Select International operations				
Total net revenue	**39**	22	**85**	103
Pretax loss including direct costs to transact a sale	**(220)**	(15)	**(228)**	(14)
Tax (benefit) expense	**(53)**	(4)	**(51)**	2

At September 30, 2009, we classified the assets and liabilities of these operations as discontinued operations held-for-sale, 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 Condensed Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

The assets and liabilities of these discontinued operations held-for-sale at September 30, 2009, are summarized below.

($ in millions)	**Select Insurance operations (a)**	**Select International operations (b)**	**Total discontinued operations held-for-sale**
Assets			
Cash and cash equivalents	**$ 557**	**$ 5**	**$ 562**
Investment securities available-for-sale	**293**		**293**
Finance receivables and loans, net of unearned income			
Consumer		**111**	**111**
Commercial		**2**	**2**
Allowance for loan losses		**(4)**	**(4)**
Total finance receivables and loans, net		**109**	**109**
Investment in operating leases, net		**432**	**432**
Premiums receivable and other insurance assets	**982**		**982**
Other assets	**16**	**45**	**61**

Total assets	$ 1,848	$ 591	$ 2,439
Liabilities			
Debt			
Unsecured	$ 34	$ 13	$ 47
Secured		137	137
Total debt	34	150	184
Interest payable		1	1
Unearned insurance premiums and service revenue	419		419
Reserves for insurance losses and loss adjustment expenses	1,038		1,038
Accrued expenses and other liabilities	77	63	140
Total liabilities	$ 1,568	$ 214	$ 1,782

(a) Includes the U.S. consumer property and casualty insurance business of our Insurance operations.
(b) Includes the International Automotive Finance operations of Argentina and Masterlease in the United Kingdom and Italy.

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3. Other Income, Net of Losses

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2009**	2008	**2009**	2008
Real estate services, net	**$ (5)**	$ (25)	**$ (263)**	$ (34)
Service fees on transactions with GM (a)	**(20)**	(50)	**(63)**	(101)
Full-service leasing fees	**67**	82	**193**	235
Late charges and other administrative fees (b)	**47**	41	**122**	127
Mortgage processing fees and other mortgage income	**46**	214	**59**	(38)
Other equity method investments	**3**	(8)	**10**	(46)
Insurance service fees	**13**	12	**39**	39
Factoring commissions	**9**	14	**25**	38
Specialty lending fees	**11**	11	**25**	33
Fair value adjustment on certain derivatives (c)	**(31)**	(60)	**(92)**	37
Changes due to fair value option elections, net (d)	**(55)**	(72)	**(147)**	(200)
Other, net	**174**	(124)	**159**	(26)
Total other income, net of losses	**$ 259**	$ 35	**$ 67**	$ 64

(a) Refer to Note 15 for a description of our relationship with GM.
(b) Includes nonmortgage securitization fees.
(c) Refer to Note 13 for a description of derivative instruments and hedging activities.
(d) Refer to Note 16 for a description of fair value option elections.

4. Other Operating Expenses

Details of other operating expenses were as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2009**	2008	**2009**	2008
Insurance commissions	**$ 177**	$ 214	**$ 505**	$ 639
Technology and communications expense	**137**	156	**450**	442
Professional services	**145**	147	**394**	469
Advertising and marketing	**51**	44	**126**	122
Mortgage representation and warranty expense, net	**515**	112	**922**	213
Premises and equipment depreciation	**22**	38	**74**	121
Rent and storage	**32**	49	**91**	145
Full-service leasing vehicle maintenance costs	**65**	74	**184**	213
Lease and loan administration	**38**	38	**120**	117
Automotive remarketing and repossession	**45**	73	**153**	227

Restructuring expenses	**9**	90	**12**	84
Other	**356**	693	**799**	1,357
Total other operating expenses	**$ 1,592**	$ 1,728	**$ 3,830**	$ 4,149

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5. 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:

	September 30, 2009				December 31, 2008			
($ in millions)	**Cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	**$ 4,365**	**$ 36**	**$ (2)**	**$ 4,399**	$ 389	$ 31	$	$ 420
States and political subdivisions	**788**	**48**	**(4)**	**832**	876	31	(26)	881
Foreign government	**1,546**	**25**	**(5)**	**1,566**	887	25		912
Mortgage-backed								
Residential (a)	**3,373**	**76**	**(25)**	**3,424**	191	6	(2)	195
Commercial	**6**			**6**	17		(2)	15
Asset-backed	**882**	**5**	**(1)**	**886**	664		(2)	662
Corporate debt securities	**1,476**	**74**	**(23)**	**1,527**	2,431	24	(165)	2,290
Other	**197**			**197**	350	4	(1)	353
Total debt securities (b)	**12,633**	**264**	**(60)**	**12,837**	5,805	121	(198)	5,728
Equity securities	**579**	**79**	**(30)**	**628**	525	79	(98)	506
Total available-for-sale securities	**$ 13,212**	**$ 343**	**$ (90)**	**$ 13,465**	$ 6,330	$ 200	$ (296)	$ 6,234
Held-to-maturity securities								
Total held-to-maturity securities	**$ 3**	**$**	**$**	**$ 3**	$ 3	$	$	$ 3

(a) Residential mortgage-backed securities include agency-backed bonds totaling $2,221 million and $16 million at September 30, 2009, and December 31, 2008, respectively.

(b) In connection with certain borrowings and letters of credit relating to certain assumed reinsurance contracts, $184 million and $154 million of primarily U.S. Treasury securities were pledged as collateral as of September 30, 2009, and December 31, 2008, respectively.

The fair value for our portfolio of trading securities was as follows:

($ in millions)	**September 30, 2009**	December 31, 2008
Trading securities		
U.S. Treasury	**$**	$ 409
Mortgage-backed		
Residential	**206**	553
Commercial		7
Asset-backed	**702**	237
Debt and other		1

Total trading securities	**$**	**908**	$	1,207

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 $47 million for the three months and nine months ended September 30, 2009, respectively, compared to $173 million and $195 million for the three months and nine months ended September 30, 2008, respectively.

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The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described above, which 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 September 30, 2009, we do not intend 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 September 30, 2009, we have 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 September 30, 2009.

	September 30, 2009				December 31, 2008			
	Less than 12 months		**12 months or longer**		Less than 12 months		12 months or longer	
($ in millions)	**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	**$ 306**	**$ (2)**	**$**	**$**	$ 7	$	$ 1	$
States and political subdivisions	**28**	**(3)**	**16**	**(1)**	251	(18)	56	(8)
Foreign government securities	**432**	**(5)**	**2**		36		19	
Mortgage-backed securities	**656**	**(20)**	**9**	**(5)**	19	(2)	23	(2)
Asset-backed securities	**35**	**(1)**	**2**		13	(2)	18	
Corporate debt securities	**32**	**(7)**	**160**	**(16)**	1,190	(144)	235	(21)
Other	**27**				1		4	
Total temporarily impaired debt securities	**1,516**	**(38)**	**189**	**(22)**	1,517	(166)	356	(31)
Equity securities	**107**	**(14)**	**59**	**(16)**	249	(98)	4	
Total available-for-sale securities	**$ 1,623**	**$(52)**	**$ 248**	**$(38)**	$ 1,766	$(264)	$ 360	$(31)

6. Finance Receivables and Loans, Net of Unearned Income and Loans Held-for-sale

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

	September 30, 2009			December 31, 2008		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer						
Retail automotive	**$ 12,742**	**$ 18,715**	**$ 31,457**	$ 16,281	$ 21,705	$ 37,986
Residential mortgages (a)	**18,759**	**3,629**	**22,388**	21,319	4,658	25,977
Total consumer	**31,501**	**22,344**	**53,845**	37,600	26,363	63,963

Commercial						
Automotive						
Wholesale	**17,876**	**5,964**	**23,840**	16,035	8,094	24,129
Leasing and lease financing	**87**	**541**	**628**	211	634	845
Term loans to dealers and other	**2,385**	**442**	**2,827**	2,608	531	3,139
Commercial and industrial	**5,019**	**784**	**5,803**	4,884	1,157	6,041
Real estate construction and other	**318**	**191**	**509**	1,696	260	1,956
Total commercial	**25,685**	**7,922**	**33,607**	25,434	10,676	36,110
Total finance receivables and loans (b)	**$ 57,186**	**$ 30,266**	**$ 87,452**	$ 63,034	$ 37,039	$ 100,073

(a) Domestic residential mortgages include $1.5 billion and $1.9 billion at fair value as a result of fair value option election as of September 30, 2009, and December 31, 2008, respectively. Refer to Note 16 for additional information.

(b) Net of unearned income of $2.7 billion and $3.4 billion as of September 30, 2009, and December 31, 2008, respectively.

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

($ in millions)	**September 30, 2009**	December 31, 2008
Consumer		
Retail automotive	**$ 8,491**	$3,805
Residential mortgages	**6,458**	2,629
Total consumer	**14,949**	6,434
Commercial		
Automotive wholesale		252
Commercial and industrial (a)	**14**	1,233
Total commercial	**14**	1,485
Total loans held-for-sale	**$14,963**	$7,919

(a) The balance as of December 31, 2008, is primarily related to the resort finance business of our Commercial Finance Group, which provides debt capital to resort and timeshare developers. As of March 31, 2009, the resort finance business was reclassified from loans held-for-sale to commercial finance receivables and loans, net of unearned income, on the Condensed Consolidated Balance Sheet because it was unlikely a sale would occur within the foreseeable future.

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

	Three months ended September 30,					
	2009			2008		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Allowance at July 1,	**$2,307**	**$ 994**	**$ 3,301**	$1,918	$630	$ 2,548
Provision for loan losses	**560**	**144**	**704**	910	189	1,099
Charge-offs						
Domestic	**(682)**	**(244)**	**(926)**	(403)	(53)	(456)
Foreign	**(158)**	**(37)**	**(195)**	(79)	(10)	(89)
Total charge-offs	**(840)**	**(281)**	**(1,121)**	(482)	(63)	(545)
Recoveries						
Domestic	**62**	**5**	**67**	46	16	62
Foreign	**20**		**20**	18	1	19
Total recoveries	**82**	**5**	**87**	64	17	81
Net charge-offs	**(758)**	**(276)**	**(1,034)**	(418)	(46)	(464)
Other	**(3)**	**6**	**3**	(43)	(8)	(51)

Allowance at September 30,	**$2,106**	**$ 868**	**$ 2,974**	$2,367	$765	$ 3,132

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	Nine months ended September 30,					
	2009			2008		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Allowance at January 1,	**$ 2,536**	**$ 897**	**$ 3,433**	$ 2,141	$ 614	$ 2,755
Provision for loan losses	**1,992**	**716**	**2,708**	1,990	355	2,345
Charge-offs						
Domestic	**(1,922)**	**(716)**	**(2,638)**	(1,203)	(209)	(1,412)
Foreign	**(773)**	**(55)**	**(828)**	(258)	(11)	(269)
Total charge-offs	**(2,695)**	**(771)**	**(3,466)**	(1,461)	(220)	(1,681)
Recoveries						
Domestic	**172**	**11**	**183**	153	19	172
Foreign	**49**	**5**	**54**	53	3	56
Total recoveries	**221**	**16**	**237**	206	22	228
Net charge-offs	**(2,474)**	**(755)**	**(3,229)**	(1,255)	(198)	(1,453)
Reduction of allowance due to fair value option election (a)				(489)		(489)
Other	**52**	**10**	**62**	(20)	(6)	(26)
Allowance at September 30,	**$ 2,106**	**$ 868**	**$ 2,974**	$ 2,367	$ 765	$ 3,132

(a) Represents the reduction of allowance as a result of fair value option election made effective January 1, 2008. Refer to Note 16 for additional information.

As a result of becoming a bank holding company, we changed our charge-off policy for first-lien mortgage and retail automotive loans to comply with the Federal Financial Institutions Examination Council (FFIEC) guidelines. An incremental charge-off was taken during the period of implementation. Prior period charge-offs and unpaid principal balances were not restated. Subsequent charge-offs in future periods are possible should collateral values decline further.

During the third quarter of 2009, we changed our charge-off policy to write down retail automotive loans to estimated collateral value, less costs to sell, once a loan becomes 120 days past due. The impact of this change resulted in incremental charge-offs of $134 million during the three months ended September 30, 2009.

Additionally, during the second quarter of 2009, we changed the charge-off policy to write down first-lien mortgage loans to estimated collateral value, less costs to sell, once a mortgage loan becomes 180 days past due. The impact of this change resulted in incremental charge-offs of $318 million during the three months ended June 30, 2009.

7. Off-balance Sheet Securitizations

We sell pools of automotive and residential mortgage loans via securitization transactions that qualify for off-balance sheet treatment under GAAP. The purpose of these securitizations is to 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. The following discussion and related information is only applicable to the transfers of finance

receivables and loans that qualify as off-balance sheet.

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,

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monitoring delinquencies, liquidating assets, investing funds until distribution, remitting payments to investors, and accounting for and reporting information to investors.

Generally, the assets initially transferred into the securitization vehicle are the sole funding source to the investors 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. 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. Lastly, certain securitization transactions may allow for the acquisition of additional loans subsequent to the initial loan. Principal collections on other loans and/or the issuance of new interests, such as variable funding notes, generally fund these loans; we are often contractually required to invest in these new interests. Additionally, we provide certain guarantees as discussed in Note 26 to the Consolidated Financial Statements in our 2008 Annual Report on Form 10-K.

As part of our securitizations, we typically retain servicing responsibilities and other 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. As noted above, 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. In certain of our securitizations, we may be required to fund certain investor-triggered put redemptions and are allowed to reimburse ourselves by repurchasing loans at par. Typically, we have concluded 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. We do not recognize a servicing asset or liability for automotive wholesale loans because of their short-term revolving nature. Additionally, we retain the rights to cash flows remaining after the investors in most securitization trusts have received their contractual payments. In certain retail automotive securitization transactions, retail receivables are sold on a servicing retained basis with no servicing compensation, and as such, a servicing liability is established and reported as accrued expenses and other liabilities. As of September 30, 2009, and December 31, 2008, servicing liabilities of less than $1 million and $1 million, respectively, were outstanding related to these retail automotive securitization transactions. Refer to Note 1 and Note 22 to the Consolidated Financial Statements in our 2008 Annual Report on Form 10-K regarding the valuation of servicing rights.

We maintain cash reserve accounts at predetermined amounts for certain securitization activities in the event that deficiencies occur in cash flows owed to the investors. The amounts available in these cash reserve accounts relate to securitizations of retail finance receivables, wholesale loans, and residential mortgage loans.

The retained interests we may receive represent a continuing economic interest in the securitization. Retained interests include, but are not limited to, senior or subordinate mortgage- or asset-backed securities, interest-only strips, principal-only strips, and residuals. Certain of these retained interests provide credit enhancement to the securitization structure as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. The value of any interests that continue to be held take into consideration the features of the securitization transaction and are generally subject to credit, prepayment, and/or interest rate risks on the transferred financial assets. Refer to Note 1 and Note 22 to the Consolidated Financial Statements in our 2008 Annual Report on Form 10-K regarding the valuation of retained interests. We are typically not required to continue retaining these interests. In the past, we have sold certain of these retained interests when it best aligns to our economic or strategic plans.

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.

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We 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 pre-specified 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.

As required under GAAP, the loans sold into off-balance sheet securitization transactions are removed from our balance sheet. The assets obtained from the securitization are reported as cash, retained interests, or servicing rights. We have elected fair value treatment for our existing mortgage servicing rights portfolio. We classify our retained interest portfolio as trading securities, available-for-sale securities, or other assets. The portfolio is carried at fair value with valuation adjustments reported through earnings or equity. We report the valuation adjustments related to trading securities as other income (loss) on investments, net, in our Condensed Consolidated Statement of Income. The valuation adjustments related to unrealized gains and losses of our available-for-sale securities are reported as a component of accumulated other comprehensive income on our Condensed Consolidated Balance Sheet. We report the realized gains and losses of our available-for-sale securities as other income (loss) on investments, net, in our Condensed Consolidated Statement of Income. The valuation adjustments and any gains and losses recognized by our retained interests classified as other assets are reported as other income, net of losses, in our Condensed Consolidated Statement of Income. Liabilities incurred as part of the transaction, such as representation and warranties 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 September 30,		**Nine months ended September 30,**	
($ in millions)	**2009**	2008	**2009**	2008
Retail finance receivables	**$**	$	**$**	$ (68)
Automotive wholesale loans	**8**	47	**110**	219
Mortgage loans		3	**(4)**	(159)
Total pretax gain (loss) on off-balance sheet activities	**$ 8**	$ 50	**$ 106**	$ (8)

The following summarizes the type and amount of loans held by the securitization trusts in transactions that qualified for off-balance sheet treatment:

($ in billions)	**September 30, 2009**	December 31, 2008
Retail finance receivables	**$ 8.9**	$ 13.3
Automotive wholesale loans		12.5
Mortgage loans (a)	**109.0**	126.2
Total off-balance sheet activities	**$117.9**	$152.0

(a) Excludes $1.8 billion and $1.6 billion of loans held by securitization trusts as of September 30, 2009, and December 31, 2008, respectively, that we have the option to repurchase as they are included in consumer finance receivable and loans and mortgage loans held-for-sale.

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The following table presents components of securitized financial assets and other assets managed.

	Total finance receivables and loans	
($ in millions)	**September 30, 2009**	December 31, 2008
Retail automotive	**$ 48,495**	$ 55,884
Retail mortgage	**137,875**	154,841
Total consumer	**186,370**	210,725
Wholesale	**23,841**	35,205
Other automotive and commercial	**9,766**	11,981
Total commercial	**33,607**	47,186
Total managed portfolio (a)	**219,977**	257,911
Securitized finance receivables and loans	**(117,562)**	(149,919)
Loans held-for-sale (unpaid principal)	**(14,963)**	(7,919)
Total finance receivables and loans	**$ 87,452**	$ 100,073

(a) Managed portfolio represents finance receivables and loans, net of unearned income, and loans held-for-sale on the balance sheet and finance receivables and loans that have been securitized and sold, excluding securitized finance receivables and loans that we continue to service but in which we retain no interest or risk of loss.

8. Mortgage Servicing Rights

We define our classes of mortgage servicing rights (MSRs) based on both the availability of market inputs and the manner in which we manage the risks of our servicing assets and liabilities.

The following tables summarize activity related to MSRs carried at fair value.

	Three months ended September 30,	
($ in millions)	**2009**	2008
Estimated fair value at July 1,	**$ 3,509**	$ 5,417
Additions from purchases of servicing assets	**6**	
Additions obtained from sales of financial assets	**206**	225
Subtractions from sales of servicing assets		(310)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	**(216)**	(399)
Other changes in fair value	**(278)**	(189)

Other changes that affect the balance	**16**	(19)
Estimated fair value at September 30,	**$ 3,243**	$ 4,725

	Nine months ended September 30,	
($ in millions)	**2009**	2008
Estimated fair value at January 1,	**$ 2,848**	$ 4,703
Additions from purchases of servicing assets	**12**	
Additions obtained from sales of financial assets	**579**	1,025
Subtractions from sales of servicing assets	**(19)**	(484)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	**779**	125
Recognized day-one gains on previously purchased MSRs upon adoption of fair value measurements (a)		11
Other changes in fair value	**(970)**	(655)
Other changes that affect the balance	**14**	
Estimated fair value at September 30,	**$ 3,243**	$ 4,725

(a) Refer to Note 16 for additional information.

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As of September 30, 2009, we pledged MSRs of $2.2 billion as collateral for borrowings compared to $1.8 billion as of December 31, 2008. For a description of MSRs and the related hedging strategy, refer to Notes 9 and 16 to the Consolidated Financial Statements in our 2008 Annual Report on Form 10-K.

Changes in fair value, due to changes in valuation inputs or assumptions used in the valuation models, include all changes due to revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio, foreign currency translation adjustments, and the extinguishment of MSRs related to the exercise of clean-up calls of securitization transactions.

Key assumptions we use in valuing our MSRs are as follows:

	September 30,	
	2009	2008
Range of prepayment speeds	**0.7 49.4%**	0.7 46.5%
Range of discount rates	**3.0 130.0%**	4.8 31.6%

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments, which could reduce the value of the MSRs. Historically, we have economically hedged the income statement impact of these risks with both derivative and nonderivative financial instruments. These instruments include interest rate swaps, caps and floors, options to purchase these items, futures, and forward contracts and/or purchasing or selling U.S. Treasury and principal-only securities. The fair value of derivative financial instruments used to mitigate these risks amounted to $675 million and $369 million at September 30, 2009 and 2008, respectively. The change in fair value of the derivative financial instruments amounted to a loss of $519 million and a gain of $493 million for the nine months ended September 30, 2009 and 2008, respectively, and is included in servicing asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Income.

The components of servicing fees on MSRs were as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2009**	2008	**2009**	2008
Contractual servicing fees, net of guarantee fees, and including subservicing	**$ 272**	$ 307	**$ 835**	$ 959
Late fees	**18**	27	**63**	94
Ancillary fees	**38**	35	**112**	101
Total	**$ 328**	$ 369	**$ 1,010**	$ 1,154

ResCap and certain of ResCap s subsidiaries that conduct ResCap s primary and master servicing activities are required to maintain certain servicer ratings in accordance with master agreements entered into with the government-sponsored entities. The servicer ratings provided by certain rating agencies are highly correlated with ResCap s consolidated tangible net worth and overall financial strength. At September 30, 2009, Rescap and its subsidiaries were in compliance with the servicer-rating requirements of the master agreements.

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9. Other Assets

Other assets consisted of:

($ in millions)	**September 30, 2009**	December 31, 2008
Property and equipment at cost	**$ 1,545**	$ 1,535
Accumulated depreciation	**(1,179)**	(1,104)
Net property and equipment	**366**	431
Fair value of derivative contracts in receivable position	**3,054**	5,014
Restricted cash collections for securitization trusts (a)	**3,467**	3,143
Cash reserve deposits held-for-securitization trusts (b)	**1,946**	3,160
Restricted cash and cash equivalents	**2,514**	2,014
Servicer advances	**1,955**	2,126
Derivative collateral placed with counterparties	**1,372**	826
Goodwill	**651**	1,357
Repossessed and foreclosed assets, net (c)	**455**	916
Debt issuance costs	**767**	788
Investment in used vehicles held-for-sale	**482**	574
Real estate and other investments (d)	**295**	642
Accrued interest and rent receivable	**383**	591
Interests retained in securitization trusts	**609**	1,001
Intangible assets, net of accumulated amortization	**35**	60
Other assets	**2,982**	4,279
Total other assets	**$ 21,333**	$ 26,922

(a) Represents cash collection from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.
(b) Represents credit enhancement in the form of cash reserves for various securitization transactions we have executed.
(c) Net of any cumulative valuation adjustment recognized to adjust the assets to fair value less costs to sell.
(d) Includes residential real estate investments of $82 million and $189 million and related accumulated depreciation of $2 million and $2 million at September 30, 2009, and December 31, 2008, respectively.

The changes in the carrying amounts of goodwill for the periods shown were as follows:

($ in millions)	**International Automotive Finance operations**	**Insurance**	**Total**
Goodwill at December 31, 2008	$ 490	$ 867	$1,357
Sale of reporting unit		**(107)**	**(107)**
Impairment losses (a)		**(607)**	**(607)**
Transfer to assets of discontinued operations held-for-sale	**(13)**		**(13)**
Foreign currency translation effect	**10**	**11**	**21**

Goodwill at September 30, 2009	**$ 487**	**$ 164**	**$ 651**

(a) During the three months ended June 30, 2009, our Insurance operations initiated an evaluation of goodwill for potential impairment, which was in addition to our annual impairment evaluation. This test was initiated in light of a more-than-likely expectation that one of its reporting units or a significant portion of one of its reporting units would be sold. Based upon the preliminary results of the assessment, we concluded that the carrying value of one of its reporting units exceeded its fair value. The fair value was determined using an offer provided by a willing purchaser. As of September 30, 2009, these losses were classified with loss (income) from discontinued operations, net of tax, on the Condensed Consolidated Statement of Income.

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10. Debt

	September 30, 2009			December 31, 2008		
($ in millions)	**Unsecured**	**Secured**	**Total**	Unsecured	Secured	Total
Short-term debt						
Commercial paper	**$ 27**	**$**	**$ 27**	$ 146	$	$ 146
Demand notes	**1,159**		**1,159**	1,342		1,342
Bank loans and overdrafts	**1,387**		**1,387**	2,963		2,963
Repurchase agreements and other (a)	**818**	**5,917**	**6,735**	657	5,278	5,935
Total short-term debt	**3,391**	**5,917**	**9,308**	5,108	5,278	10,386
Long-term debt						
Due within one year	**7,409**	**20,820**	**28,229**	10,279	18,858	29,137
Due after one year (b)	**33,851**	**30,009**	**63,860**	37,101	48,972	86,073
Total long-term debt (c)	**41,260**	**50,829**	**92,089**	47,380	67,830	115,210
Fair value adjustment (d)	**644**		**644**	725		725
Total debt	**$ 45,295**	**$ 56,746**	**$ 102,041**	$ 53,213	$ 73,108	$ 126,321

(a) Repurchase agreements consist of secured financing arrangements with third parties at our Mortgage operations. Other primarily includes nonbank secured borrowings and notes payable to GM. Refer to Note 15.
(b) Includes $4,500 million as of September 30, 2009, guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP).
(c) Secured long-term debt includes $1,529 million and $1,899 million at fair value as of September 30, 2009, and December 31, 2008, respectively, as a result of fair value option election. Refer to Note 16 for additional information.
(d) Amount represents the hedge accounting adjustment on fixed rate debt.

The following table presents the scheduled maturity of long-term debt at September 30, 2009, assuming that no early redemptions occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, *($ in millions)*	Unsecured (a)	Secured (b)	Total
2009	$ 1,285	$ 4,668	$ 5,953
2010	7,481	20,436	27,917
2011	9,958	13,926	23,884
2012	9,572	3,195	12,767
2013	1,883	1,735	3,618
2014 and thereafter	15,644	2,850	18,494
Original issue discount (c)	(4,563)		(4,563)
Troubled debt restructuring concession (d)		489	489
Long-term debt	41,260	47,299	88,559
Collateralized borrowings in securitization trusts (e)		3,530	3,530
Total long-term debt	$ 41,260	$ 50,829	$ 92,089

(a) Scheduled maturities of ResCap unsecured long-term debt are as follows: $0 million in 2009, $1,325 million in 2010, $208 million in 2011, $357 million in 2012, $532 million in 2013, and $215 million in 2014 and thereafter. These maturities exclude ResCap debt held by GMAC.

(b) Scheduled maturities of ResCap secured long-term debt are as follows: $0 million in 2009, $1,578 million in 2010, $0 million in 2011, $0 million in 2012, $707 million in 2013, and $1,660 million in 2014 and thereafter. These maturities exclude ResCap debt held by GMAC and collateralized borrowings in securitization trusts.

(c) Scheduled remaining amortization of original issue discount is as follows: $317 million in 2009, $1,243 million in 2010, $1,014 million in 2011, $335 million in 2012, $248 million in 2013, and $1,406 million in 2014 and thereafter.

(d) In the second quarter of 2008, ResCap executed an exchange offer that resulted in a concession being recognized as an adjustment to the carrying value of certain new secured notes. This concession is being amortized over the life of the new notes through a reduction to interest expense using an effective yield methodology. Scheduled remaining amortization of the troubled debt restructuring concession is as follows: $32 million in 2009, $110 million in 2010, $101 million in 2011, $105 million in 2012, $83 million in 2013, and $58 million in 2014 and thereafter.

(e) Collateralized borrowings in securitization trusts represents mortgage-lending-related debt that is repaid upon the principal payments of the underlying assets.

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The following summarizes assets restricted as collateral for the payment of the related debt obligation primarily arising from secured financing arrangements, securitization transactions accounted for as secured borrowings and repurchase agreements:

	September 30, 2009		December 31, 2008	
($ in millions)	**Assets**	**Related secured debt (a)**	Assets	Related secured debt (a)
Loans held-for-sale	**$ 320**	**$ 98**	$ 1,549	$ 660
Mortgage assets held-for-investment and lending receivables	**6,224**	**3,921**	7,011	5,422
Retail automotive finance receivables (b)	**23,823**	**17,354**	30,676	22,091
Wholesale automotive finance receivables	**12,993**	**8,624**	20,738	11,857
Investment securities	**97**		646	481
Investment in operating leases, net	**16,855**	**11,618**	18,885	16,744
Real estate investments and other assets	**4,957**	**5,387**	6,579	6,550
Ally Bank (c)	**24,288**	**9,744**	25,548	9,303
Total	**$ 89,557**	**$ 56,746**	$ 111,632	$ 73,108

(a) Included as part of secured debt are repurchase agreements of $31 million and $588 million where we have pledged assets as collateral for approximately the same amount of debt at September 30, 2009, and December 31, 2008, respectively.

(b) Included as part of retail automotive finance receivables are $1.0 billion of assets and $941 million of secured debt related to Ally Bank.

(c) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and access to the Federal Reserve Bank Discount Window and Term Auction Facility program. Ally Bank had assets pledged and restricted as collateral to the FHLB and Federal Reserve Bank totaling $19.8 billion and $21.9 billion as of September 30, 2009, and December 31, 2008, respectively. Furthermore, under the advance agreement, the FHLB has a blanket lien on certain Ally Bank assets including approximately $13.3 billion and $18.3 billion in real estate-related finance receivables and loans and $2.8 billion and $1.6 billion in other assets as of September 30, 2009, and December 31, 2008, respectively. Availability under these programs is generally only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of GMAC or its subsidiaries.

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Funding Facilities

The following table highlights credit capacity under our secured and unsecured funding facilities as of September 30, 2009, and December 31, 2008. We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not legally obligated to advance funds under them. The amounts in the outstanding column in the table below are generally included on our Condensed Consolidated Balance Sheets with the exception of approximately $3.6 billion, which is mainly composed of funding generated by special-purpose entities known as New Center Asset Trust (NCAT) and Total Asset Collateralized Notes LLC (TACN).

	Total capacity		**Current capacity (a)**		**Potential capacity (b)**		**Outstanding**	
($ in billions)	**Sept 30, 2009**	Dec 31, 2008	**Sept 30, 2009**	Dec 31, 2008	**Sept 30, 2009**	Dec 31, 2008	**Sept 30, 2009**	Dec 31, 2008
Committed unsecured								
Global Automotive Finance operations	**$ 0.8**	$ 1.7	**$ 0.1**	$ 0.2	**$**	$	**$ 0.7**	$ 1.5
Committed secured								
Global Automotive Finance operations (c)	**38.6**	56.2	**1.0**	0.7	**7.7**	15.6	**29.9**	39.9
Mortgage operations	**2.4**	5.4			**0.4**	2.3	**2.0**	3.1
Other	**0.5**	2.8			**0.2**	0.9	**0.3**	1.9
Total committed facilities	**42.3**	66.1	**1.1**	0.9	**8.3**	18.8	**32.9**	46.4
Uncommitted unsecured								
Global Automotive Finance operations	**1.1**	2.1	**0.1**	0.2			**1.0**	1.9
Mortgage operations		0.1		0.1				
Uncommitted secured								
Global Automotive Finance operations	**6.3**	4.4	**2.0**	4.1			**4.3**	0.3
Mortgage operations	**7.1**	9.5	**0.7**	0.2	**0.2**		**6.2**	9.3
Total uncommitted facilities	**14.5**	16.1	**2.8**	4.6	**0.2**		**11.5**	11.5
Total	**$ 56.8**	$ 82.2	**$ 3.9**	$ 5.5	**$ 8.5**	$ 18.8	**$ 44.4**	$ 57.9
Whole-loan forward flow agreements (d)	**$ 12.3**	$ 17.8	**$**	$	**$ 12.3**	$ 17.8	**$**	$
Total commitments	**$ 69.1**	$ 100.0	**$ 3.9**	$ 5.5	**$ 20.8**	$ 36.6	**$ 44.4**	$ 57.9

(a) Funding is generally available upon request as excess collateral resides in certain facilities.
(b) Funding is generally available to the extent incremental collateral is contributed to the facilities.
(c) Potential capacity at December 31, 2008, included undrawn credit commitments that served as backup liquidity to support our asset-backed commercial paper program (NCAT). There was $9.0 billion of potential capacity that was supporting $8.0 billion of outstanding NCAT commercial paper as of December 31, 2008. The NCAT commercial paper outstanding was not included on our Condensed Consolidated Balance Sheets.
(d) Represents commitments of financial institutions to purchase U.S. automotive retail assets.

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11. Deposit Liabilities

Deposit liabilities consisted of the following:

($ in millions)	**September 30, 2009**	December 31, 2008
Domestic deposits		
Noninterest-bearing deposits	**$ 2,300**	$ 1,466
NOW and money market checking accounts	**6,070**	3,609
Certificates of deposit	**18,891**	13,704
Dealer wholesale deposits	**829**	339
Dealer term-loan deposits	**9**	3
Total domestic deposits	**28,099**	19,121
Foreign deposits		
NOW and money market checking accounts	**13**	9
Certificates of deposit	**1,089**	638
Dealer wholesale deposits	**123**	39
Total foreign deposits	**1,225**	686
Total deposit liabilities	**$29,324**	$19,807

Noninterest-bearing deposits primarily represent third-party escrows associated with our Mortgage operations loan servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. Certificates of deposit included $10.2 billion and $9.6 billion of brokered certificates of deposit at September 30, 2009, and December 31, 2008, respectively.

As of September 30, 2009, domestic certificates of deposit in denominations of $100 thousand or more totaled $4.7 billion.

12. Regulatory Capital

As a bank holding company, we and our wholly owned banking subsidiary, Ally Bank, are subject to risk-based capital and leverage guidelines by federal regulators that require that our capital-to-assets ratios meet certain minimum standards. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

The risk-based capital ratio is determined by allocating assets and specified off-balance sheet financial instruments into nine weighted categories with higher levels of capital being required for the categories perceived as representing greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, and qualifying preferred stock (including fixed-rate cumulative preferred stock issued and sold to the U.S. Department of Treasury) less goodwill and other adjustments. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt, the allowance for loan

losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

Total risk-based capital is the sum of Tier 1 capital and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio of 4%. A banking institution is considered well-capitalized when its Total risk-based capital ratio exceeds 10% and its Tier 1 risk-based capital ratio exceeds 6% unless subject to regulatory directive to maintain higher capital levels.

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The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

In conjunction with the conclusion of the Supervising Capital Assessment Program (S-CAP), the banking regulators have developed a new measure of capital called Tier 1 common defined as Tier 1 capital less noncommon elements including qualified perpetual preferred stock, qualifying minority interest in subsidiaries and qualifying trust preferred securities.

On July 21, 2008, GMAC, FIM Holdings, IB Finance Holding Company, LLC, Ally Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA). The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank s leverage ratio is at least 11% for a three-year period. For this purpose, leverage ratio is determined in accordance with the FDIC s regulations related to capital maintenance.

Additionally, on May 21, 2009, the FRB granted an expanded exemption from Section 23A of the Federal Reserve Act. The exemption requires GMAC to maintain a Total risk-based capital ratio of 15% and Ally Bank to maintain a Tier 1 leverage ratio of 15%.

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision. Currently all U.S. banks are subject to the Basel I capital rules. The Basel Committee issued Basel II Capital Rules, and the U.S. regulators have issued companion rules applicable to certain U.S. domiciled institutions. GMAC qualifies as a mandatory bank holding company that must comply with the U.S. Basel II rules. The Basel Committee on Banking Supervision has issued additional guidance regarding market risk capital rules and Basel II capital rules for securitizations. U.S. banking regulators have not yet issued any companion proposals. We continue to monitor developments with respect to Basel II requirements and are working to ensure successful execution within the required time.

The following table summarizes our capital ratios. GMAC was not required to calculate risk-based capital ratios, a leverage ratio, or a Tier 1 common ratio prior to becoming a bank holding company in December 2008. Therefore, the methodology of calculating these ratios may be refined over time.

			September 30, 2009		
($ in millions)	**Amount**	**Ratio**	**Required minimum**		**Well-capitalized minimum**
Risk-based capital					
Tier 1 (to risk-weighted assets)					
GMAC Inc.	**$ 23,795**	**14.41%**	**4.00%**		**6.00%**
Ally Bank	**7,231**	**22.11%**		**(a)**	**6.00%**
Total (to risk-weighted assets)					
GMAC Inc.	**$ 26,127**	**15.82%**	**15.00%**	**(b)**	**10.00%**
Ally Bank	**7,645**	**23.37%**		**(a)**	**10.00%**
Tier 1 leverage (to adjusted average assets) (c)					
GMAC Inc.	**$ 23,795**	**13.50%**	**3.00 4.00%**		**(d)**
Ally Bank	**7,231**	**16.57%**		**(a)**	**5.00%**
Tier 1 common (to risk-weighted assets)					
GMAC Inc.	**$ 10,008**	**6.06%**	**n/a**		**n/a**
Ally Bank	**n/a**	**n/a**	**n/a**		**n/a**

(a)

Ally Bank, in accordance with the FRB exemption from Section 23A, is required to maintain a Tier 1 leverage ratio of 15%. Ally Bank is also required to maintain well-capitalized levels for Tier 1 risk-based capital and total risk-based ratios pursuant to the CLMA.

(b) GMAC, in accordance with the FRB exemption from Section 23A, is required to maintain a Total risk-based capital ratio of 15%.

(c) Federal regulatory reporting guidelines require the calculation of adjusted average assets using a daily average methodology. We currently use a monthly average methodology. We are in the process of modifying information systems to address the daily average requirement.

(d) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

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At September 30, 2009, GMAC and Ally Bank met all required minimum ratios and were well-capitalized under the federal regulatory agencies definitions as summarized in the table above.

In accordance with the Board of Governors of the Federal Reserve System s S-CAP program, GMAC was required to increase the common shareholder equity component of Tier 1 capital by a total of $11.5 billion by no later than November 9, 2009. Furthermore, GMAC was also required to increase overall Tier 1 capital by $9.1 billion. Depending on the method of capital augmentation used, the increase in common shareholder equity could accomplish the increase in overall Tier 1 capital. As previously disclosed, in the second quarter of 2009, we received a $3.5 billion preferred stock investment from the U.S. Treasury that was counted towards new Tier 1 capital for the company toward the S-CAP program requirements and reduced the expected level of new capital required to $5.6 billion. Consistent with the S-CAP program requirements, we submitted a Capital Plan to the Federal Reserve Bank of Chicago in June 2009. We continue to work with the Federal Reserve and U.S. Department of Treasury regarding the amount of remaining capital that will be required and the final date by which such capital must be raised.

13. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign currency swaps, futures, forwards, options, and swaptions, in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including investment securities, loans held-for-sale, mortgage servicing rights, debt, and deposits. In addition, we use foreign exchange contracts to mitigate foreign currency risk associated with foreign-currency-denominated debt and foreign exchange transactions. Our primary objective for utilizing derivative financial instruments is to manage market risk volatility associated with interest rate and foreign currency risks related to the assets and liabilities of our automotive finance and mortgage operations. One of the key goals of our risk-mitigation strategy is to modify the asset and liability and interest rate mix including the assets and liabilities associated with securitization transactions that may be recorded as off-balance sheet SPEs. In addition, we use derivative financial instruments to mitigate the risk of changes in the fair values of loans held-for-sale and mortgage servicing rights.

Interest Rate Risk

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable rate. We also enter into derivative instrument contracts to hedge exposure to variability in cash flows related to variable-rate financial instruments.

We have applied hedge accounting for certain derivative instruments used to hedge fixed-rate and variable-rate debt. We monitor our mix of fixed- and variable-rate debt in relationship to the rate profile of our assets. When it is cost effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt.

Our fair value hedges consist of hedges of fixed-rate debt obligations including those received through advances from the Federal Home Loan Bank of Pittsburgh (FHLB). Individual swaps are designated as one-for-one hedges of specific fixed-rate debt obligations, except for the advances from the FHLB, which are designated as hedges of a portfolio because the advances are grouped into similar liability pools. As of September 30, 2009, outstanding interest rate swaps designated as fair value accounting hedges held in an asset position had a fair value of $509 million. The outstanding notional amount as of September 30, 2009, was $17.8 billion.

We enter into economic hedges to mitigate exposure for the following categories:

Mortgage servicing rights and retained interests Our mortgage servicing rights and retained interest portfolios are generally subject to loss in value when mortgage rates decline. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of mortgage servicing rights and retained interests. To mitigate the impact

of this risk, we maintain a portfolio of financial instruments, primarily derivatives that increase in value when interest rates decline. The primary objective is to minimize the overall risk of loss in the value of mortgage servicing rights due to the change in fair value caused by interest rate changes and their interrelated impact to prepayments.

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We use a multitude of derivative instruments to manage the interest rate risk related to mortgage servicing rights and retained interests. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, MBS futures, U.S. Treasury futures, interest rate swaps, interest rate floors, and interest rate caps. While we do not utilize nonderivative instruments (e.g., U.S. Treasuries) to hedge this portfolio, we have utilized them previously and may utilize them again in the future. We monitor and actively manage our risk on a daily basis, and therefore trading volume can be large.

As of September 30, 2009, outstanding contracts held in an asset position had a fair value of $1.1 billion, and those held in a liability position had a fair value of $446 million. The outstanding notional amount was $144.3 billion as of September 30, 2009.

Mortgage loan commitments and mortgage and auto loans held-for-sale We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the time the mortgage loan is sold. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale go up and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage and automotive loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

The primary derivative instrument we use to accomplish this objective for mortgage loans and IRLCs is forward sales of mortgage-backed securities, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale. We also use other derivatives, such as interest rate swaps, options, and futures, to hedge automotive loans held-for-sale and certain portions of the mortgage portfolio. Nonderivative instruments may also be periodically used to economically hedge the mortgage portfolio, such as short positions on U.S. Treasuries. We monitor and actively manage our risk on a daily basis.

We do not apply hedge accounting to our derivative portfolio held to economically hedge the IRLCs and mortgage and automotive loans held-for-sale. As of September 30, 2009, outstanding contracts held in an asset position had a fair value of $173 million, and those held in a liability position had a fair value of $204 million. The outstanding notional amount was $34.3 billion as of September 30, 2009.

Off-balance sheet securitization activities We enter into interest rate swaps to facilitate securitization transactions where the underlying receivables are sold to a nonconsolidated qualifying special-purpose entity (QSPE). As the underlying assets are carried in a nonconsolidated entity, the interest rate swaps do not qualify for hedge accounting treatment. As of September 30, 2009, outstanding contracts held in an asset position had a fair value of $181 million. The outstanding notional amount was $5.4 billion as of September 30, 2009.

Debt As part of our previous on-balance sheet securitizations and/or secured aggregation facilities, certain interest rate swaps or interest rate caps have been included within consolidated variable interest entities; these swaps or caps were generally required to meet certain rating agency requirements or were required by the facility lender/provider. The interest rate swaps and/or caps are generally entered into when the debt is issued; accordingly, current trading activity on this particular derivative portfolio is minimal.

With the exception of a portion of our fixed-rate debt (which includes advances from the FHLB), we have not applied hedge accounting to our derivative portfolio held to economically hedge our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt. As of September 30, 2009, outstanding contracts held in an asset position had a fair value of $487 million, and those held in a liability position had a fair value of $813 million. The outstanding notional was $71.7 billion as of September 30, 2009.

Callable debt obligations We enter into cancellable interest rate swaps as economic hedges of certain callable fixed-rate debt in connection with our market risk management policy. If the hedging relationship does not meet a specified effectiveness assessment threshold, it will be treated as an economic hedge. All cancellable swaps hedging

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callable debt were treated as economic hedges. As of September 30, 2009, outstanding contracts held in an asset position had a fair value of less than $1 million and an outstanding notional amount of $15 million.

Other We enter into futures, options, and swaptions to hedge our net fixed versus variable interest rate exposure. As of September 30, 2009, outstanding contracts held in an asset position had a fair value of $5 million. The outstanding notional amount was $747 million as of September 30, 2009.

Foreign Currency Risk

We enter into derivative financial instrument contracts to hedge exposure to variability in cash flows related to foreign currency financial instruments. Currency swaps and forwards are used to hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed. Similar to our interest rate hedges, the swaps are generally entered into or traded concurrent with the debt issuance with the terms of the swap matching the terms of the underlying debt.

Our non-U.S. subsidiaries maintain both assets and liabilities in local currencies; these local currencies are the subsidiaries functional currencies for accounting purposes. Foreign currency exchange rate gains and losses arise when our assets or liabilities or our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our other comprehensive income (loss). Foreign currency risk is reviewed as part of our risk-management process. The principal currencies creating foreign exchange risk are the U.K. sterling and the Euro.

In addition, we have a centralized lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign currency derivatives with external counterparties. Our foreign currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the hedged foreign currency transactions.

Our current strategy is to economically hedge foreign currency risk that is denominated in currencies other than the U.S. dollar (USD). The principal objective of the foreign currency hedges is to mitigate the earnings volatility specifically created by currency exchange rate gains and losses.

With limited exceptions, we have elected not to treat any foreign currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign currency swaps are substantially offset by the foreign currency revaluation gains and losses of the underlying assets and liabilities.

As of September 30, 2009, outstanding foreign currency swaps designated as cash flow accounting hedges held in an asset position had a fair value of $10 million, and those held in a liability position had a fair value of $90 million. The outstanding notional amount was $425 million.

As of September 30, 2009, outstanding foreign currency exchange derivatives not designated as hedges for accounting purposes held in an asset position had a fair value of $611 million, and those held in a liability position had a fair value of $401 million. The outstanding notional amount was $21.4 billion as of September 30, 2009.

Credit Risk

Derivative financial instruments contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contract completely fail to perform under the terms of those contracts, assuming no recoveries of underlying collateral as measured by the market value of the derivative financial instrument. At September 30, 2009, and December 31, 2008, the market value of derivative financial instruments in an

asset or receivable position was $3.1 billion and $5 billion including accrued interest of $229 million and $271 million, respectively. At September 30, 2009, and December 31, 2008, the market value of derivative financial instruments in a liability or payable position was $2.0 billion and $2.6 billion including accrued interest of $86 million and $104 million, respectively.

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To further mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of their total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based upon changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation has risen or removes collateral when it has fallen. We also have unilateral collateral agreements whereby we are the only entity required to post collateral. We have placed collateral totaling $1.4 billion and $1.6 billion at September 30, 2009, and December 31, 2008, respectively, in accounts maintained by counterparties. We have received cash collateral from counterparties totaling $595 million and $1.5 billion at September 30, 2009, and December 31, 2008, respectively. The collateral placed and received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. In accordance with FASB ASC 860-30-25-5, we do not record such collateral received on our statement of financial position unless certain conditions have been met.

Accounting Treatment

All derivative financial instruments, whether designated for hedging relationships or not, are recorded on the Condensed Consolidated Balance Sheet as assets or liabilities and carried at fair value. Due to the nature of derivative instruments, they may be in a receivable/asset position or a payable/liability position at the end of an accounting period.

At the inception of a derivative contract, we determine whether the instrument will be part of a qualifying hedge accounting relationship. For each of these relationships, we designate the qualifying derivative financial instrument as a hedge of the fair value of a recognized asset or liability (fair value hedge) or a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). We also use derivative financial instruments that do not qualify for hedge accounting under GAAP. Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges, along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in current period earnings. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative financial instruments is recorded as other comprehensive income, a component of equity, and is recognized in the Condensed Consolidated Statement of Income when the hedged cash flows affect earnings. Changes in the fair value of derivative financial instruments held for risk management purposes that do not meet the criteria to qualify for hedge accounting under GAAP or for which management has not elected hedge accounting treatment are reported in current period earnings. The ineffective portions of fair value and cash flow hedges are immediately recognized in earnings. Ineffectiveness is measured based on the difference in the fair value movement of the swap and the related hedged debt or cash flows. Effectiveness is assessed using historical data. We assess hedge effectiveness by employing a statistical-based approach, which must meet thresholds for R-squared, slope, F-statistic, and T-statistic.

We formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the Condensed Consolidated Balance Sheet, to specific firm commitments or the forecasted transactions. Both at the hedge s inception and on an ongoing basis, we formally assesses whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

The hedge accounting treatment described above is no longer applied if a derivative financial instrument is terminated or the hedge designation is removed. For terminated fair value hedges, any changes to the hedged asset or liability remain as part of the basis of the asset or liability and are recognized into income over the remaining life of the asset or liability. For terminated cash flow hedges, unless it is probable that the forecasted cash flow will not occur within a specified time frame, any changes in fair value of the derivative financial instrument remain in other comprehensive income, a component of equity, and are reclassified into earnings in the period that the hedged cash flows affects earnings.

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Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories.

	Fair value of derivative contracts in	
September 30, 2009 *($ in millions)*	**Receivable position (a)**	**Liability position (b)**
Derivatives designated as hedging instruments		
Interest rate risk	**$ 509**	**$**
Foreign exchange risk	**10**	**90**
Total derivatives designated as hedging instruments	**519**	**90**
Derivatives not designated as hedging instruments		
Interest rate risk	**1,924**	**1,463**
Foreign exchange risk	**611**	**401**
Total derivatives not designated as hedging instruments	**2,535**	**1,864**
Total derivatives	**$ 3,054**	**$ 1,954**

(a) Reported as other assets on the Condensed Consolidated Balance Sheet.
(b) Reported as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

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Statement of Income Presentation and Accumulated Other Comprehensive Income Information

The following tables summarize the location and amounts of gains and losses reported in our Condensed Consolidated Statement of Income on derivative instruments and related hedge items and amounts flowing through accumulated other comprehensive income. Gains and losses are presented separately for (1) derivative instruments and related hedged items designated and qualifying in fair value hedges; (2) the effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges that were recognized in other comprehensive income during the period; (3) the effective portion of gains and losses on derivative instruments designated and qualifying as cash flow hedges recorded in accumulated other comprehensive income during the term of the hedging relationship and reclassified into earnings in the current period; (4) the portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges representing the hedges ineffectiveness and the amount, if any, excluded from the hedge effectiveness assessment; and (5) derivative instruments not designated as hedging instruments.

($ in millions)	**Three months ended September 30, 2009**	**Nine months ended September 30, 2009**
Derivatives in fair value hedging relationships		
Gain (loss) recognized in earnings on derivatives		
Interest rate contracts		
Other interest expense	**$ 142**	**$(242)**
(Loss) gain recognized in earnings on hedged items		
Interest rate contracts		
Other interest expense	**(136)**	**192**
Total designated interest rate contracts	**6**	**(50)**
Derivatives not designated as hedging relationships		
Gain (loss) gain recognized in earnings on derivatives		
Interest rate contracts		
Servicing asset valuation and hedge activities, net	**384**	**(519)**
Loss on mortgage and automotive loans, net	**(201)**	**(167)**
Other gain (loss) on investments, net	**2**	**(5)**
Other income, net of losses	**(6)**	**17**
Other operating expenses	**(25)**	**(39)**
Total nondesignated interest rate contracts	**154**	**(713)**
Foreign exchange contracts (a)		
Other interest expense	**8**	**(3)**
Other income, net of losses	**(3)**	**(198)**
Total foreign exchange contracts	**5**	**(201)**
Gain (loss) recognized in earnings on derivatives	**$ 165**	**$(964)**

(a) Amount represents the difference between the changes in the fair values of the currency hedge, net of the revaluation of the related foreign denominated debt or foreign denominated receivable.

14. Income Taxes

Effective June 30, 2009, GMAC LLC was converted (the Conversion) from a limited liability company (LLC) into a corporation and renamed GMAC Inc. As a result of the Conversion, GMAC Inc. will be subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Due to our change in tax status as of June 30, 2009, a net deferred tax liability of $1.2 billion was established through income tax expense.

GMAC LLC and certain U.S. subsidiaries were pass-through entities for U.S. federal income tax purposes prior to the Conversion. U.S. federal, state, and local income taxes were not provided for these entities as they were not taxable entities with the exception of a few local jurisdictions that tax LLCs or partnerships. LLC members are required to report their share of our taxable income on their respective income tax returns. In addition, GMAC LLC s banking, insurance, and foreign subsidiaries were generally corporations and subject to, and required to provide for U.S. federal and foreign income taxes. The

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Conversion did not change the tax status of these subsidiaries. The income tax expense related to these corporations is included in income tax expense in our Condensed Consolidated Statement of Income, along with other miscellaneous state, local, and franchise taxes of GMAC and certain other subsidiaries.

The significant components of income tax expense (benefit) from continuing operations were as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2009**	2008	**2009**	2008
Current income tax expense (benefit)				
U.S. federal	**$ 37**	$ 47	**$ 69**	$ (19)
Foreign	**127**	106	**194**	199
State and local	**(67)**	(9)	**(229)**	4
Total current (benefit) expense	**97**	144	**34**	184
Deferred income tax (benefit) expense				
U.S. federal	**(276)**	(61)	**(481)**	69
Foreign	**(25)**	(176)	**(92)**	(139)
State and local	**(35)**	(8)	**60**	(42)
Total deferred benefit	**(336)**	(245)	**(513)**	(112)
Total income tax (benefit) expense before change in tax status	**(239)**	(101)	**(479)**	72
Change in tax status	**(53)**		**1,160**	
Total income tax (benefit) expense	**$ (292)**	$ (101)	**$ 681**	$ 72

A reconciliation of the statutory U.S. federal income tax rate to our effective income tax rate is shown in the following table.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2009**	2008	**2009**	2008
Statutory U.S. federal tax rate	**35.0%**	35.0%	**35.0%**	35.0%
Change in tax rate resulting from				
Change in tax status	**5.5**		**(29.0)**	
LLC results not subject to federal or state income taxes		(23.4)	**(13.6)**	(17.9)
Effect of valuation allowance change	**(20.8)**	(6.1)	**(8.0)**	(15.1)
Foreign income tax rate differential	**(5.5)**	(2.9)	**(5.1)**	(3.9)
State and local income taxes, net of federal income tax benefit	**11.2**	1.1	**3.2**	0.6

Tax-exempt income	**0.1**	0.1	**0.1**	0.2
Other	**4.9**		**0.4**	(0.2)
Effective tax rate	**30.4%**	3.8%	**(17.0)%**	(1.3)%

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Deferred tax assets and liabilities result from differences between assets and liabilities measured for financial reporting purposes and those measured for income tax purposes. The Conversion resulted in a $1.2 billion increase in income tax expense related to the establishment of deferred tax liabilities and assets of $2.3 billion and $1.1 billion, respectively. The significant components of deferred tax assets and liabilities after consideration of these adjustments are reflected in the following table.

($ in millions)	**September 30, 2009**	December 31, 2008
Deferred tax liabilities		
Lease transactions	**$ 1,340**	$1,320
Debt issuance costs	**680**	5
Deferred acquisition costs	**429**	503
Hedging transactions	**123**	1
Tax on unremitted earnings	**115**	53
State and local taxes	**100**	19
Unrealized gains on securities	**45**	
Other	**186**	8
Gross deferred tax liabilities	**3,018**	1,909
Deferred tax assets		
Tax loss carryforwards	**1,463**	943
Provision for credit losses	**380**	382
Sale of finance receivables and loans	**289**	132
Investment in ResCap partnership	**224**	
Contingency	**211**	128
Unearned insurance premiums	**199**	252
Mark-to-market on consumer loans	**79**	
Investment in subsidiary	**52**	
Depreciation	**50**	58
Accumulated translation adjustment	**22**	42
Tax credit carryforwards	**7**	60
Unrealized losses on securities		80
Postretirement benefits		10
Manufacturing incentives		33
Other	**199**	155
Gross deferred tax assets	**3,175**	2,275
Valuation allowance	**(1,492)**	(924)
Net deferred tax assets	**1,683**	1,351
Net deferred tax liability	**$ 1,335**	$ 558

Gross unrecognized tax benefits totaled $149 million and $150 million as of September 30, 2009, and December 31, 2008, respectively.

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15. Related Party Transactions
Balance Sheet

A summary of the balance sheet effect of transactions with GM, FIM Holdings, and affiliated companies follows:

($ in millions)	**September 30, 2009**	December 31, 2008
Assets		
Available-for-sale investment in asset-backed security GM (a)	**$ 35**	$ 35
Secured		
Finance receivables and loans, net of unearned income		
Wholesale automotive financing GM (b)	**327**	595
Term loans to dealers GM (b)	**75**	105
Lending receivables GM		26
Lending receivables affiliates of FIM Holdings	**58**	91
Investment in operating leases, net GM (c)	**64**	291
Notes receivable from GM (d)	**941**	1,464
Other assets		
Other GM	**29**	32
Total secured	**1,494**	2,604
Unsecured		
Notes receivable from GM (d)	**29**	191
Other assets		
Subvention receivables (rate and residual support) GM	**165**	53
Lease pull-ahead receivable GM	**23**	28
Other GM	**20**	49
Total unsecured	**237**	321
Liabilities		
Unsecured debt		
Notes payable to GM	**$ 689**	$ 566
Secured debt		
Cerberus model home term loan		8
Accrued expenses and other liabilities		
Wholesale payable GM	**536**	319
Deferred revenue GM (e)		318
Other payables GM	**173**	45

(a) In November 2006, GMAC retained an investment in a note secured by operating lease assets transferred to GM. As part of the transfer, GMAC provided a note to a trust, a wholly owned subsidiary of GM. The note is classified in investment securities on our Condensed Consolidated Balance Sheet.
(b) Represents wholesale financing and term loans to certain dealerships wholly owned by GM or in which GM has an interest. The loans are generally secured by the underlying vehicles or assets of the dealerships.
(c) Includes vehicles, buildings, and other equipment classified as operating lease assets that are leased to GM-affiliated entities. These leases are secured by the underlying assets.
(d) Represents wholesale financing we provide to GM for vehicles, parts, and accessories in which GM retains title while consigned to us or dealers primarily in the UK, Italy, and Germany. The financing to GM remains outstanding until the title is transferred to the dealers. The amount of financing provided to GM under this arrangement varies based on inventory levels. These loans are secured by the underlying vehicles or other assets.

(e) Represents prepayments made by GM pursuant to the terms of the Sale Transactions requiring that the aggregate amount of certain unsecured obligations of GM to us not exceed a prescribed cap. Subsequent to December 31, 2008, a new agreement was reached between GMAC and GM with new limitations on unsecured exposure going forward. Generally, unsecured exposure based on what we believe from time to time to be probable amounts owed from GM will be limited to $2.1 billion; and unsecured exposures based on maximum possible amounts owed will be limited to $4.1 billion. This distinction was established to more easily manage exposures since certain amounts that will be owed to us from GM (e.g., pursuant to risk-sharing and similar arrangements) are based on variables and assumptions that may change over time.

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Statement of Income

A summary of the statement of income effect of transactions with GM, FIM Holdings, and affiliated companies follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2009**	2008	**2009**	2008
Net financing revenue				
GM and affiliates lease residual value support North American operations (a)	**$ 26**	$ 236	**$ 164**	$ 674
GM and affiliates rate support North American operations	**194**	248	**577**	773
Wholesale subvention and service fees from GM	**45**	78	**159**	236
Interest earned on wholesale automotive financing	**2**	6	**12**	20
Interest earned on term loans to dealers	**1**	1	**2**	3
Interest expense on loans with GM	**(13)**	(16)	**(37)**	(37)
Interest income on loans with FIM Holdings affiliates, net	**1**	(28)	**2**	(20)
Consumer lease payments from GM (b)	**1**	21	**60**	45
Other revenue				
Insurance premiums earned from GM	**52**	68	**135**	178
Interest on notes receivable from GM and affiliates	**18**	8	**57**	99
Interest on wholesale settlements (c)	**40**	57	**95**	82
Revenues from GM-leased properties, net	**2**	5	**8**	12
Derivatives (d)		(7)	**(2)**	3
Losses on model home asset sales with an affiliate of Cerberus		(27)		(27)
Other		2	**(2)**	6
Servicing fees				
U.S. automotive operating leases (e)	**4**	18	**22**	71
Servicing asset valuation				
Losses on sales of securitized excess servicing loans to Cerberus		(24)		(24)
Expense				
Off-lease vehicle selling expense reimbursement (f)	**(6)**	(15)	**(21)**	(35)
Payments to GM for services, rent, and marketing expenses (g)	**37**	55	**88**	123

(a) Represents total amount of residual support and risk sharing earned under the residual support and risk-sharing programs and earned revenue (previously deferred) related to the settlement of residual support and risk-sharing obligations in 2006 for a portion of the lease portfolio.
(b) GM sponsors lease pull-ahead programs whereby consumers are encouraged to terminate lease contracts early in conjunction with the acquisition of a new GM vehicle with the customer s remaining payment obligation waived. For certain programs, GM compensates us for the waived payments adjusted based on remarketing results associated with the underlying vehicle.
(c) The settlement terms related to the wholesale financing of certain GM products are at shipment date. To the extent that wholesale settlements with GM are made before the expiration of transit, we receive interest from GM.
(d) Represents income or (expense) related to derivative transactions that we enter into with GM as counterparty.
(e) Represents servicing income related to automotive leases distributed as a dividend to GM on November 22, 2006.
(f) An agreement with GM provides for the reimbursement of certain selling expenses incurred by us on off-lease vehicles sold by GM at auction.
(g) We reimburse GM for certain services provided to us. This amount includes rental payments for our primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan, and exclusivity and royalty fees.

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Statement of Changes in Equity

A summary of the changes to the statement of changes in equity related to transactions with GM, FIM Holdings, and affiliated companies follows:

($ in millions)	**Nine months ended September 30, 2009**	Year ended December 31, 2008
Equity		
Capital contributions received (a)	**$1,247**	$758
Dividends to members (b)	**379**	79
Preferred interest dividends GM	**103**	

(a) On January 16, 2009, we completed a $1.25 billion rights offering pursuant to which we issued additional common membership interests to FIM Holdings and a subsidiary of GM. On December 29, 2008, GM and an affiliate of Cerberus Capital Management contributed to GMAC $750 million subordinated participations in a $3.5 billion senior secured credit facility between GMAC and ResCap in exchange for additional common membership interests in GMAC.

(b) 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. In March 2009, we executed a transaction that had 2008 tax-reporting implications for our shareholders. In accordance with the operating agreement, the approval of both our Board of Directors and the U.S. Department of Treasury was obtained in advance for the payment of tax distributions to our shareholders. Amounts distributed to GM and FIM Holdings were $206 million and $173 million, respectively, for the nine months ended September 30, 2009. Included in the 2009 amount is $40 million of remittances to GM for tax settlements and refunds received related to tax periods prior to the Sale Transactions. The 2008 amounts primarily represent remittances to GM for tax settlements and refunds received related to tax periods prior to the Sale Transactions as required by the terms of the Purchase and Sale Agreement between GM and FIM Holdings.

GM, GM dealers, and GM-related employees compose a significant portion of our customer base, and our Global Automotive Finance operations are highly dependent on GM production and sales volume. As a result, a significant adverse change in GM s business, including significant adverse changes in GM s liquidity position and access to the capital markets, the production or sale of GM vehicles, the quality or resale value of GM vehicles, the use of GM marketing incentives, GM s relationships with its key suppliers, GM s relationship with the United Auto Workers and other labor unions, and other factors impacting GM or its employees could have a significant adverse effect on our profitability and financial condition.

We provide vehicle financing through purchases of retail automotive and lease contracts with retail customers of primarily GM dealers. We also finance the purchase of new and used vehicles by GM dealers through wholesale financing, extend other financing to GM dealers, provide fleet financing for GM dealers to buy vehicles they rent or lease to others, provide wholesale vehicle inventory insurance to GM dealers, provide automotive extended service contracts through GM dealers, and offer other services to GM dealers. As a result, GM s level of automobile production and sales directly impacts our financing and leasing volume; the premium revenue for wholesale vehicle inventory insurance; the volume of automotive extended service contracts; and the profitability and financial condition of the GM dealers to whom we provide wholesale financing, term loans, and fleet financing. In addition, the quality of GM vehicles affects our obligations under automotive extended service contracts relating to such vehicles. Further, the resale value of GM vehicles, which may be impacted by various factors relating to GM s business such as brand image, the number of new GM vehicles produced, the number of used vehicles remarketed, or reduction in core brands, affects the remarketing proceeds we receive upon the sale of repossessed vehicles and off-lease vehicles at lease termination.

Our Global Automotive Finance operations are highly dependent on GM sales volume. In 2008 and 2009, global vehicle sales declined rapidly, and there is no assurance that the global automotive market or GM s share of that market will not suffer a significant further downturn. Vehicle sales volume could be further adversely impacted by ongoing restructuring that is expected to reduce the number of GM retail channels and core brands or consolidate GM s dealer network. Furthermore, with GM s recent emergence from bankruptcy protection, it is difficult to predict with certainty the consequences of the bankruptcy filing and the impact it could have on consumer sentiment and GM s business in the future. Any negative impact could in turn have a material adverse affect on our business, results of operations, and financial position.

As of September 30, 2009, we had an estimated $1.5 billion in secured credit exposure, which includes primarily wholesale vehicle financing to GM-owned dealerships, notes receivable from GM, and vehicles leased directly to GM. We

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further had approximately $1.5 billion in unsecured credit exposure, which includes estimates of payments from GM related to residual support and risk-sharing agreements. Under the terms of certain agreements between GMAC and GM, GMAC has the right to offset certain of its exposures to GM against amounts GMAC owes to GM.

As of September 30, 2009, we have not established a loss allowance relative to our credit exposure to GM. All material contracts that GM had with GMAC were transferred to the new GM entity including all of GM s corresponding pre- and post-bankruptcy petition liabilities and payment obligations.

Retail and Lease Programs

GM may elect to sponsor incentive programs (on both retail contracts and operating leases) by supporting financing rates below the standard market rates at which we purchase retail contracts and leases. These marketing incentives are also referred to as rate support or subvention. When GM utilizes these marketing incentives, they pay us the present value of the difference between the customer rate and our standard rate at contract inception, which we defer and recognize as a yield adjustment over the life of the contract.

GM may also sponsor residual support programs as a way to lower customer monthly payments. Under residual support programs, the customer s contractual residual value is adjusted above our standard residual values. In addition, under risk-sharing programs and eligible contracts, GM shares equally in residual losses at the time of the vehicle s disposal to the extent that remarketing proceeds are below our standard residual values (limited to a floor).

For North American lease originations and balloon retail contract originations occurring in the United States after April 30, 2006, and in Canada after November 30, 2006, that remained with us after the consummation of the Sale Transactions, GM agreed to begin payment of the present value of the expected residual support owed to us at contract origination as opposed to after contract termination at the time of sale of the related vehicle. The residual support amount GM actually owes us is finalized as the leases actually terminate. Under the terms of the residual support program, in cases where the estimate was incorrect, GM may be obligated to pay us, or we may be obligated to reimburse GM.

Based on the September 30, 2009, outstanding North American operating lease and retail balloon portfolios, the additional maximum amount that could be paid by GM under the residual support programs is approximately $1.1 billion and would be paid only in the unlikely event that the proceeds from the entire portfolio of lease assets were lower than both the contractual residual value and our standard residual rates.

Based on the September 30, 2009, outstanding North American operating lease portfolio, the maximum amount that could be paid under the risk-sharing arrangements is approximately $1.4 billion and would be paid only in the unlikely event that the proceeds from all outstanding lease vehicles were lower than our standard residual rates and no higher than the contractual risk-sharing floor.

Retail and lease contracts acquired by us that included rate and residual subvention from GM, payable directly or indirectly to GM dealers as a percentage of total new retail and lease contracts acquired, were as follows:

	Nine months ended September 30,	
	2009	2008
GM and affiliates subvented contracts acquired		
North American operations	**68%**	80%
International operations	**57%**	40%

Other

We have entered into various services agreements with GM that are designed to document and maintain our current and historical relationship. We are required to pay GM fees in connection with certain of these agreements related to our financing of GM consumers and dealers in certain parts of the world.

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GM also provides payment guarantees on certain commercial assets we have outstanding with certain third-party customers. As of September 30, 2009, and December 31, 2008, commercial obligations guaranteed by GM were $72 million and $88 million, respectively. Additionally, GM is bound by repurchase obligations to repurchase new vehicle inventory under certain circumstances, such as dealer default. We also have a consignment arrangement with GM for commercial inventories in Europe. As of September 30, 2009, and December 31, 2008, wholesale inventories related to this arrangement were $51 million and $141 million, respectively, and are reflected in other assets on our Condensed Consolidated Balance Sheet.

16. Fair Value
Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, provides a definition of fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value; therefore, it does not expand the use of fair value in any new circumstance.

For purposes of this disclosure, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). Additionally, entities are required to consider all aspects of nonperformance risk, including the entity s own credit standing, when measuring the fair value of a liability.

A three-level hierarchy is to be used when measuring and disclosing fair value. An instrument s categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities as of the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.

Level 2 Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management s best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized.

Trading securities Trading securities are recorded at fair value and may be asset-backed or asset-related asset-backed securities (including senior and subordinated interests), principal-only, or residual interests and may be investment grade, noninvestment grade, or unrated securities. We base our valuation of trading securities on observable market prices when available; however, observable market prices are not available for a significant portion of these assets due to illiquidity in the markets. When observable market prices are not available, valuations are primarily based on internally developed discounted cash flow models that use a market-based discount rate. The

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valuation considers recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). We classified 93% and 60% of the trading securities reported at fair value as Level 3 at September 30, 2009, and December 31, 2008, respectively. Trading securities account for 3% and 5% of all assets reported at fair value at September 30, 2009, and December 31, 2008, respectively.

Available-for-sale securities Available-for-sale securities are carried at fair value primarily based on observable market prices. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses). We classified less than 1% and 10% of the available-for-sale securities reported at fair value as Level 3 at September 30, 2009, and December 31, 2008, respectively. Available-for-sale securities account for 43% and 24% of all assets reported at fair value at September 30, 2009, and December 31, 2008, respectively.

Loans held-for-sale We elected the fair value option for certain mortgage loans held-for-sale. The loans elected were government and agency eligible residential loans funded after July 31, 2009. These loans are presented in the table of recurring fair value measurements. Refer to the section within this Note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information. The loans not elected under the fair value option are accounted for at the lower of cost or fair value. The tables associated with nonrecurring fair value measurement include only loans carried at fair value that are accounted for at the lower of cost or fair value. We classified 13% and 63% of the loans held-for-sale reported at fair value as Level 3 at September 30, 2009, and December 31, 2008, respectively. Loans held-for-sale account for 16% and 9% of all assets reported at fair value at September 30, 2009, and December 31, 2008, respectively.

Approximately 4% and 6% of the total loans held-for-sale carried at fair value are automotive loans at September 30, 2009, and December 31, 2008, respectively. We based our valuation of automotive loans held-for-sale on internally developed discounted cash flow models or terms established under fixed-pricing forward flow agreements and have classified all these loans as Level 3. These valuation models estimate the exit price we expect to receive in the loan s principal market, which depending upon characteristics of the loans may be the whole-loan market, the securitization market, or committed prices contained in forward sale agreements. Although we utilize and give priority to market observable inputs, such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, these internal inputs require the use of judgment and can have a significant impact on the determination of the loan s value. Accordingly, we classified all automotive loans held-for-sale as Level 3.

Approximately 96% and 94% of the total loans held-for-sale carried at fair value are mortgage loans at September 30, 2009, and December 31, 2008, respectively. We originate or purchase mortgage loans in the United States that we intend to sell to Fannie Mae, Freddie Mac, and Ginnie Mae (collectively, the Agencies). Additionally, we originate or purchase mortgage loans both domestically and internationally that we intend to sell into the secondary markets through whole-loan sales or securitizations, although this activity was substantially curtailed beginning in 2008.

Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending upon underlying attributes of the loan, such as agency eligibility (domestic only), product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of loans held-for-sale. The methodology used depends on the exit market as described below.

Loans valued using observable market prices for identical or similar assets This includes all domestic loans that can be sold to the Agencies, which are valued predominantly by published forward agency prices. This

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will also include all nonagency domestic loans or international loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. As these valuations are derived from quoted market prices, we classify these valuations as Level 2 in the fair value disclosures. As of September 30, 2009, and December 31, 2008, 91% and 41%, respectively, of the mortgage loans held-for-sale currently being carried at fair value were classified as Level 2. Due to the current illiquidity of the mortgage market, it may be necessary to look for alternate sources of value, including the whole-loan purchase market for similar loans and place more reliance on the valuations using internal models.

Loans valued using internal models To the extent observable market prices are not available, we will determine the fair value of loans held-for-sale using internally developed valuation models. These valuation models estimate the exit price we expect to receive in the loan s principal market, which depending upon characteristics of the loan may be the whole-loan or securitization market. Although we utilize and give priority to market observable inputs such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, the generation of these internal inputs requires the use of judgment and can have a significant impact on the determination of the loan s fair value. Accordingly, we classify these valuations as Level 3 in the fair value disclosures. As of September 30, 2009, and December 31, 2008, 9% and 59%, respectively, of the mortgage loans held-for-sale currently being carried at fair value are classified as Level 3.

Due to limited sales activity and periodically unobservable prices in certain markets, certain loans held-for-sale may transfer between Level 2 and Level 3 in future periods.

Consumer finance receivables and loans, net of unearned income We elected the fair value option for certain mortgage loans held-for-investment. The elected loans collateralized on-balance sheet securitization debt in which we estimated credit reserves pertaining to securitized assets that could have, or already had, exceeded our economic exposure. The elected loans represent a portion of the consumer finance receivable and loans on the Condensed Consolidated Balance Sheet. The balance that was not elected was reported on the balance sheet at the principal amount outstanding, net of charge-offs, allowance for loan losses, and premiums or discounts.

The mortgage loans held-for-investment that collateralized securitization debt are legally isolated from us and are beyond the reach of our creditors. The loans are measured at fair value using a portfolio approach or an in-use premise. The objective in fair valuing the loans and related securitization debt is to account properly for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds are expected to be volatile. Since this approach involves the use of significant unobservable inputs, we classified all the mortgage loans held-for-investment elected under the fair value option as Level 3. As of September 30, 2009, and December 31, 2008, we classified all consumer finance receivables and loans reported at fair value as Level 3. Consumer finance receivables and loans accounted for 5% and 7% of all assets reported at fair value at September 30, 2009, and December 31, 2008, respectively. Refer to the section within this Note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

Commercial finance receivables and loans, net of unearned income We evaluate our commercial finance receivables and loans, net of unearned income for impairment. We generally base the evaluation on the fair value of the underlying collateral supporting the loan when expected to be the sole source of repayment. When the carrying value exceeds the fair value of the collateral, an impairment loss is recognized and reflected as a nonrecurring fair value measurement. As of September 30, 2009, 6% and 94% of the impaired commercial finance receivables and loans were classified as Level 2 and Level 3, respectively. As of December 31, 2008, 27% and 73% of the impaired commercial finance receivables and loans were classified as Level 2 and Level 3, respectively. Commercial finance receivables and loans accounted for 8% of all assets reported at fair value at September 30, 2009, and December 31, 2008.

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Mortgage servicing rights We typically retain MSRs when we sell assets into the secondary market. MSRs do not trade in an active market with observable prices; therefore, we use internally developed discounted cash flow models to estimate the fair value of MSRs. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees, in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate. All MSRs were classified as Level 3 at September 30, 2009, and December 31, 2008. MSRs accounted for 10% of all assets reported at fair value at September 30, 2009, and December 31, 2008.

Interests retained in securitization trusts Interests retained in securitization trusts are carried at fair value. Valuations are based on internally developed discounted cash flow models that use a market-based discount rate. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). All interests retained in securitization trusts were classified as Level 3 at September 30, 2009, and December 31, 2008. Interests retained in securitization trusts accounted for 1% and 3% of all assets reported at fair value at September 30, 2009, and December 31, 2008, respectively.

Derivative instruments We manage risk through our balance of loan production and servicing businesses while using portfolios of financial instruments, including derivatives, to manage risk related specifically to the value of loans held-for-sale, loans held-for-investment, MSRs, foreign currency debt; and we enter into interest rate swaps to facilitate transactions where the underlying receivables are sold to a nonconsolidated QSPE. During the three months and nine months ended September 30, 2009, we recorded net economic hedge gains of $159 million and net losses of $914 million, respectively. During the three months and nine months ended September 30, 2008, we recorded net economic hedge gains of $459 million and gains of $773 million, respectively. Refer to Note 13 for additional information regarding changes in the fair value of economic hedges.

We enter into a variety of derivative financial instruments as part of our hedging strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, or traded within highly active dealer markets, such as agency to-be-announced securities. To determine the fair value of these instruments, we utilize the exchange price or dealer market price for the particular derivative contract; therefore, we classified these contracts as Level 1. We classified 5% of the derivative assets and 5% of the derivative liabilities reported at fair value as Level 1 at September 30, 2009. We classified less than 1% of the derivative assets and 3% of the derivative liabilities reported at fair value as Level 1 at December 31, 2008.

We also execute over-the-counter derivative contracts, such as interest rate swaps, floors, caps, corridors, and swaptions. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are entered into the model. We classified these over-the-counter derivative contracts as Level 2 at September 30, 2009, because all significant inputs into these markets were market observable. We classified 74% of the derivative assets and 75% of the derivative liabilities reported at fair value as Level 2 at September 30, 2009. We classified 69% of the derivative assets and 44% of the derivative liabilities reported at fair value as Level 2 at December 31, 2008.

We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative s notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3. We classified 21% of the derivative assets and 20% of the derivative liabilities reported at fair value as Level 3 at September 30, 2009. We classified 31% of the derivative assets and 53% of the derivative liabilities reported at fair value as Level 3 at December 31, 2008.

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We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA). The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty. The CVA calculates the probable or potential future exposure on the derivative under different interest and currency exchange rate environments using a simulation tool. For each simulation, a CVA is calculated using either our credit default spread, or the default spread of the counterparty, and the potential exposure of the simulation.

Derivative assets accounted for 10% and 17% of all assets reported at fair value at September 30, 2009, and December 31, 2008, respectively. Derivative liabilities accounted for 56% and 58% of all liabilities reported at fair value at September 30, 2009, and December 31, 2008, respectively.

Derivative collateral placed with counterparties Collateral in the form of investment securities are carried at fair value using quoted prices in active markets for similar assets. We classified 100% of securities posted as collateral as Level 1 at September 30, 2009. Securities posted as collateral accounted for 3% of all assets reported at fair value at September 30, 2009.

Repossessed and foreclosed assets Foreclosed upon or repossessed assets resulting from loan defaults are carried at the lower of either cost or fair value less costs to sell and are included in other assets on the Condensed Consolidated Balance Sheet. The fair value disclosures include only assets carried at fair value less costs to sell.

The majority of assets acquired due to default are foreclosed assets. We revalue foreclosed assets on a periodic basis. We classified properties that are valued by independent third-party appraisals less costs to sell as Level 2. When third-party appraisals are not obtained, valuations are typically obtained from third-party broker price opinion; however, depending on the circumstances, the property list price or other sales price information may be used in lieu of a broker price opinion. Based on historical experience, we adjust these values downward to take into account damage and other factors that typically cause the actual liquidation value of foreclosed properties to be less than broker price opinion or other price sources. This valuation adjustment is necessary to ensure the valuation ascribed to these assets considers unique factors and circumstances surrounding the foreclosed asset. As a result of applying internally developed adjustments to the third-party-provided valuation of the foreclosed property, we classified these assets as Level 3 in the fair value disclosures. As of September 30, 2009, we classified 62% and 38% of foreclosed and repossessed properties carried at fair value less costs to sell as Level 2 and Level 3, respectively. As of December 31, 2008, we classified 38% and 62% of foreclosed and repossessed properties carried at fair value less costs to sell as Level 2 and Level 3, respectively. Repossessed and foreclosed assets account for 1% and 2% of all assets reported at fair value at September 30, 2009, and December 31, 2008, respectively.

On-balance sheet securitization debt We elected the fair value option for certain mortgage loans held-for-investment and on-balance sheet securitization debt. In particular, we elected the fair value option on securitization debt issued by domestic on-balance sheet securitization vehicles as of January 1, 2008, in which we estimated credit reserves pertaining to securitized assets could have, or already had, exceeded our economic exposure. The objective in measuring the loans and related securitization debt at fair value was to approximate our retained economic interest and economic exposure to the collateral securing the securitization debt. The remaining on-balance sheet securitization debt that was not elected under the fair value option is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

We value securitization debt that was elected pursuant to the fair value option and any economically retained positions using market observable prices whenever possible. The securitization debt is principally in the form of asset- and mortgage-backed securities collateralized by the underlying mortgage loans held-for-investment. Due to the attributes of the underlying collateral and current market conditions, observable prices for these instruments are typically not available in active markets. In these situations, we consider observed transactions as Level 2 inputs in our discounted cash flow models. Additionally, the discounted cash flow models utilize other market observable inputs, such as interest rates,

and internally derived inputs including prepayment speeds, credit losses, and discount rates. Fair value option elected financing securitization debt is classified as Level 3 as a result of the reliance on

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significant assumptions and estimates for model inputs. On-balance sheet securitization debt accounts for 44% and 42% of all liabilities reported at fair value at September 30, 2009, and December 31, 2008, respectively. As a result of reduced liquidity in capital markets, values of both the elected loans and the securitized debt are expected to be volatile. Refer to the section within this Note *Fair Value Option for Financial Assets and Financial Liabilities* for a complete description of these securitizations.

Recurring Fair Value

The following tables display the assets and liabilities measured at fair value on a recurring basis, including financial instruments elected for the fair value option. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The tables below display the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk management activities.

	Recurring fair value measurements			
September 30, 2009 *($ in millions)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment securities				
Trading securities				
Mortgage-backed				
Residential	**$**	**$ 61**	**$ 145**	**$ 206**
Asset-backed			**702**	**702**
Total trading securities		**61**	**847**	**908**
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	**2,978**	**1,421**		**4,399**
States and political subdivisions		**832**		**832**
Foreign government	**1,330**	**236**		**1,566**
Mortgage-backed				
Residential		**3,418**	**6**	**3,424**
Commercial		**6**		**6**
Asset-backed		**851**	**35**	**886**
Corporate debt securities		**1,527**		**1,527**
Other	**1**	**196**		**197**
Total debt securities	**4,309**	**8,487**	**41**	**12,837**
Equity securities	**574**	**54**		**628**
Total available-for-sale securities	**4,883**	**8,541**	**41**	**13,465**
Loans held-for-sale (a)		**4,305**		**4,305**
Consumer finance receivables and loans, net of unearned income (a)			**1,543**	**1,543**
Mortgage servicing rights			**3,243**	**3,243**
Other assets				
Cash reserve deposits held-for-securitization trusts			**39**	**39**
Interests retained in securitization trusts			**609**	**609**
Derivative assets, net (b)	**64**	**785**	**251**	**1,100**

Derivative collateral placed with counterparties	**804**			**804**
Total assets	**$ 5,751**	**$ 13,692**	**$ 6,573**	**$ 26,016**
Liabilities				
Secured debt				
On-balance sheet securitization debt (a)	**$**	**$**	**$ (1,529)**	**$ (1,529)**
Other liabilities	**(1)**			**(1)**
Total liabilities	**$ (1)**	**$**	**$ (1,529)**	**$ (1,530)**

(a) Carried at fair value due to fair value option election.

(b) At September 30, 2009, derivative assets within Level 1, Level 2, and Level 3 were $165 million, $2.2 billion, and $647 million, respectively. Additionally, derivative liabilities within Level 1, Level 2, and Level 3 were $101 million, $1.5 billion, and $396 million, respectively.

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	Recurring fair value measurements			
December 31, 2008 *($ in millions)*	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Trading securities	$ 1	$ 486	$ 720	$ 1,207
Available-for-sale securities	1,736	3,867	631	6,234
Consumer finance receivables and loans, net of unearned income (a)			1,861	1,861
Mortgage servicing rights			2,848	2,848
Other assets				
Cash reserve deposits held-for-securitization trusts			41	41
Interests retained in securitization trusts			1,001	1,001
Derivative (liabilities) assets, net (b)	(51)	2,263	149	2,361
Total assets	$ 1,686	$ 6,616	$ 7,251	$ 15,553
Liabilities				
Secured debt				
On-balance sheet securitization debt (a)	$	$	$ (1,899)	$ (1,899)
Total liabilities	$	$	$ (1,899)	$ (1,899)

(a) Carried at fair value due to fair value option election.
(b) At December 31, 2008, derivative assets within Level 1, Level 2, and Level 3 were $21 million, $3.4 billion, and $1.5 billion, respectively. Additionally, derivative liabilities within Level 1, Level 2, and Level 3 were $72 million, $1.1 billion, and $1.4 billion, respectively.

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The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The Level 3 items presented below may be hedged by derivatives and other financial instruments that are classified as Level 1 or Level 2. Thus, the following tables do not fully reflect the impact of our risk management activities.

	Level 3 recurring fair value measurements						
		Net realized/unrealized gains (losses)		Purchases,	Net		Net unrealized gains (losses) included in
($ in millions)	Fair value as of July 1, 2009	Included in earnings	Included in other comprehensive income (a)	issuances, and settlements, net	transfers into/ (out of) Level 3	Fair value as of September 30, 2009	earnings still held as of September 30, 2009
Assets							
Investment securities							
Trading securities							
Mortgage-backed							
Residential	$ 163	$	$	$ (18)	$	$ 145	$ 18 (b)
Asset-backed	571	126 (b)	5			702	(83) (b)
Total trading securities	734	126	5	(18)		847	(65)
Available-for-sale securities							
Debt securities							
Mortgage-backed							
Residential	4		1		1	6	
Asset-backed	413	4 (b)	2	(384)		35	
Total available-for-sale securities	417	4	3	(384)	1	41	
Consumer finance receivables and loans, net of unearned income (c)	1,588	339 (d)		(384)		1,543	240 (d)
Mortgage servicing rights	3,509	(494) (e)		228		3,243	(494) (e)
Other assets							
Cash reserve deposits held-for-securitization trusts	33	6 (f)				39	(97) (f)
Interests retained in securitization trusts	662	21 (f)	(1)	(73)		609	(15) (f)
Fair value of derivative contracts in (liability) receivable position, net	225	(3) (g)		29		251	109 (g)
Total assets	$ 7,168	$ (1)	$ 7	$(602)	$ 1	$ 6,573	$(322)
Liabilities							
Secured debt							

On-balance sheet securitization debt (c)	**$ (1,574)**	**$ (330) (h)**	**$**	**$ 375**	**$**	**$(1,529)**	**$(207) (h)**
Total liabilities	**$ (1,574)**	**$ (330)**	**$**	**$ 375**	**$**	**$(1,529)**	**$(207)**

(a) Includes foreign currency translation adjustments, if any.
(b) The fair value adjustment is reported as other gain (loss) on investments, net, and the related interest is reported as interest and dividends on investment securities in the Condensed Consolidated Statement of Income.
(c) Carried at fair value due to fair value option election.
(d) The fair value adjustment is reported as other income, net of losses, and the related interest is reported as consumer financing revenue in the Condensed Consolidated Statement of Income.
(e) Fair value adjustment reported as servicing asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Income.
(f) Reported as other income, net of losses, on investments, net, in the Condensed Consolidated Statement of Income.
(g) Refer to Note 13 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.
(h) Fair value adjustment is reported as other income, net of losses, and the related interest is reported within total interest expense in the Condensed Consolidated Statement of Income.

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	Level 3 recurring fair value measurements						
		Net realized/unrealized gains (losses)					Net unrealized gains (losses) included in
($ in millions)	Fair value as of January 1, 2009	Included in earnings	Included in other comprehensive income (a)	Purchases, issuances, and settlements, net	Net transfers into/ (out of) Level 3	Fair value as of September 30, 2009	earnings still held as of September 30, 2009
Assets							
Investment securities							
Trading securities							
Mortgage-backed Residential	$ 211	$ (41) (b)	$	$ (44)	$ 19	$ 145	$ (19) (b)
Asset-backed	509	184 (b)	10	(1)		702	(569) (b)
Total trading securities	720	143	10	(45)	19	847	(588)
Available-for-sale securities							
Debt securities							
Mortgage-backed							
Residential	2		(4)		8	6	
Asset-backed	607	6 (b)	5	(583)		35	(8) (b)
Equity securities	22		1		(23)		
Total available-for-sale securities	631	6	2	(583)	(15)	41	(8)
Consumer finance receivables and loans, net of unearned income (c)	1,861	848 (d)		(1,166)		1,543	488 (d)
Mortgage servicing rights	2,848	(172) (e)		567		3,243	(159) (e)
Other assets							
Cash reserve deposits held-for-securitization trusts	41	2 (f)	(1)	(3)		39	(318) (f)
Interests retained in securitization trusts	1,001	(44) (f)	3	(351)		609	(11) (f)
Fair value of derivative contracts in (liability) receivable position, net	149	399 (g)	(5)	(437)	145	251	985 (g)
Total assets	$ 7,251	$1,182	$ 9	$(2,018)	$149	$ 6,573	$ 389
Liabilities							
Secured debt							
On-balance sheet securitization debt (c)	$ (1,899)	$ (774) (h)	$	$ 1,144	$	$(1,529)	$(431) (h)
Total liabilities	$ (1,899)	$ (774)	$	$ 1,144	$	$(1,529)	$(431)

(a) Includes foreign currency translation adjustments, if any.

(b)

The fair value adjustment is reported as other gain (loss) on investments, net, and the related interest is reported as interest and dividends on investment securities in the Condensed Consolidated Statement of Income.

(c) Carried at fair value due to fair value option election.

(d) The fair value adjustment is reported as other income, net of losses, and the related interest is reported as consumer financing revenue in the Condensed Consolidated Statement of Income.

(e) Fair value adjustment reported as servicing asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Income.

(f) Reported as other income, net of losses, in the Condensed Consolidated Statement of Income.

(g) Refer to Note 13 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.

(h) Fair value adjustment is reported as other income, net of losses, and the related interest is reported within total interest expense in the Condensed Consolidated Statement of Income.

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	Level 3 recurring fair value measurements						
		Net realized/unrealized gains (losses)					Net unrealized gains (losses) included in
($ in millions)	Fair value as of July 1, 2008	Included in earnings	Included in other comprehensive income (a)	Purchases, sales, issuances, and settlements, net	Net transfer in (out) of Level 3	Fair value as of September 30, 2008	earnings still held as of September 30, 2008
Assets							
Investment securities							
Available-for-sale securities	$ 936	$ (41) (b)	$ (1)	$ 76	$	$ 970	$ (34) (b)
Trading securities	2,314	(164) (c)	(2)	(132)		2,016	(228) (c)
Consumer finance receivables and loans, net of unearned income (d)	2,658	94 (e)		(542)		2,210	(126) (e)
Mortgage servicing rights	5,417	(589) (f)		(103)		4,725	(587) (f)
Other assets							
Cash reserve deposits held-for-securitization trusts	51	(8) (g)		(1)		42	(99) (g)
Fair value of derivative contracts in receivable position, net	(19)	6 (h)	10	(59)	2	(60)	139 (h)
Restricted cash collections for securitization trusts	92	(3) (i)	(4)	(78)		7	(3) (i)
Total assets	$ 11,449	$(705)	$ 3	$(839)	$ 2	$ 9,910	$(938)
Liabilities							
Secured debt							
On-balance sheet securitization debt (d)	$ (2,754)	$ (87) (j)	$	$ 556	$	$(2,285)	$ 7 (j)
Collateralized debt obligations (d)	(248)	47 (c)		20		(181)	50 (c)
Total liabilities	$ (3,002)	$ (40)	$	$ 576	$	$(2,466)	$ 57

(a) Includes foreign currency translation adjustments, if any.

(b) Reported as investment income (loss) in the Condensed Consolidated Statement of Income, except securitization trust interests, which are reported as other income in the Condensed Consolidated Statement of Income.
(c) Reported as investment income (loss) in the Condensed Consolidated Statement of Income.
(d) Carried at fair value due to fair value option election.
(e) The fair value adjustment is reported as other income, and the related interest is reported as consumer financing revenue in the Condensed Consolidated Statement of Income.
(f) Reported as servicing asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Income.
(g) Reported as other income, net of losses, in the Condensed Consolidated Statement of Income.
(h) Refer to Note 13 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.
(i) Reported as other operating expenses in the Condensed Consolidated Statement of Income.
(j) The fair value adjustment is reported as other income, and the related interest is reported as interest expense in the Condensed Consolidated Statement of Income.

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	Level 3 recurring fair value measurements						
		Net realized/unrealized gains (losses)					Net unrealized gains (losses) included in
($ in millions)	Fair value as of January 1, 2008	Included in earnings	Included in other comprehensive income (a)	Purchases, sales, issuances, and settlements, net	Net transfer in (out) of Level 3	Fair value as of September 30, 2008	earnings still held as of September 30, 2008
Assets							
Investment securities							
Available-for-sale securities	$ 1,249	$ (79) (b)	$ 6	$ (206)	$	$ 970	$ (71) (b)
Trading securities	2,726	(666) (c)	(3)	(41)		2,016	(703) (c)
Consumer finance receivables and loans, net of unearned income (d)	6,684	(2,494) (e)		(1,980)		2,210	(3,392) (e)
Mortgage servicing rights	4,713	(548) (f)		560		4,725	(529) (f)
Other assets							
Cash reserve deposits held-for-securitization trusts	30	(g)		12		42	(181) (g)
Fair value of derivative contracts in receivable position, net	(46)	123 (h)	27	(166)	2	(60)	335 (h)
Restricted cash collections for securitization trusts	111	(15) (i)	(6)	(83)		7	(15) (i)
Total assets	$ 15,467	$(3,679)	$24	$(1,904)	$ 2	$ 9,910	$(4,556)
Liabilities							
Secured debt							
On-balance sheet securitization debt (d)	$ (6,734)	$ 2,544 (j)	$	$ 1,905	$	$(2,285)	$ 2,873 (j)
Collateralized debt obligations (d)	(351)	82 (c)		88		(181)	93 (c)
Total liabilities	$ (7,085)	$ 2,626	$	$ 1,993	$	$(2,466)	$ 2,966

(a) Includes foreign currency translation adjustments, if any.

(b) Reported as investment income (loss) in the Condensed Consolidated Statement of Income, except securitization trust interests, which are reported as other income in the Condensed Consolidated Statement of Income.
(c) Reported as investment income (loss) in the Condensed Consolidated Statement of Income.
(d) Carried at fair value due to fair value option election.
(e) The fair value adjustment is reported as other income, and the related interest is reported as consumer financing revenue in the Condensed Consolidated Statement of Income.
(f) Reported as servicing asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Income.
(g) Reported as other income, net of losses, in the Condensed Consolidated Statement of Income.
(h) Refer to Note 13 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.
(i) Reported as other operating expenses in the Condensed Consolidated Statement of Income.
(j) The fair value adjustment is reported as other income, and the related interest is reported as interest expense in the Condensed Consolidated Statement of Income.

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Nonrecurring Fair Value

We may be required to measure certain assets and liabilities at fair value from time to time. These periodic fair value measures typically result from the application of lower of cost or fair value accounting or certain impairment measures under GAAP. These items would constitute nonrecurring fair value measures.

The following tables display the assets and liabilities measured at fair value on a nonrecurring basis and held at September 30, 2009, and September 30, 2008.

September 30, 2009 *($ in millions)*	Nonrecurring fair value measures				Lower of cost or fair value allowance or valuation reserve	Total gains (losses) included in earnings for the three months ended	Total gains (losses) included in earnings for the nine months ended
	Level 1	Level 2	Level 3	Total			
Assets							
Loans held-for-sale (a)	$	$ 7	$ 636	$ 643	$ (379)	n/m (b)	n/m (b)
Commercial finance receivables and loans, net of unearned income (c)		161	2,336	2,497	(1,014)	$ (d)	$ (87)(d)
Other assets							
Real estate and other investments (e)		85		85	n/m (f)	(1)	5
Repossessed and foreclosed assets, net (g)		173	107	280	(97)	n/m (b)	n/m (b)
Goodwill (h)					n/m (f)		(607)
Total assets	$	$ 426	$ 3,079	$ 3,505	$(1,490)	$ (1)	$(689)

n/m = not meaningful

(a) Represents assets held-for-sale that are required to be measured at the lower of cost or fair value. The table above includes only assets with fair values below cost as of September 30, 2009. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
(b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
(c) Represents the portion of the commercial portfolio impaired as of September 30, 2009. The related credit allowance represents the cumulative adjustment to fair value of those specific receivables.
(d) Represents losses recognized on the impairment of our resort finance business, which provided debt capital to resort and timeshare developers.
(e) Represents assets impaired as of September 30, 2009. The total loss included in earnings represents adjustments to the fair value of the portfolio based on actual sales during the three months ended September 30, 2009.
(f) The total loss included in earnings is the most relevant indicator of the impact on earnings.
(g) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value less costs to sell.
(h) Represents goodwill impaired as of June 30, 2009. The impairment related to a reporting unit within our Insurance operations. As of September 30, 2009, these losses were classified with income (loss) from discontinued operations, net of tax, on the Condensed Consolidated Statement of Income. Refer to Note 9 for additional goodwill information.
(i)

The fair value adjustment is reported as other income, and the related interest is reported as interest expense in the Condensed Consolidated Statement of Income.

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September 30, 2008 *($ in millions)*	Nonrecurring fair value measures Level 1	Level 2	Level 3	Total	Lower of cost or fair value allowance or valuation reserve	Total gains (losses) included in earnings for the three months ended	Total gains (losses) included in earnings for the nine months ended
Assets							
Loans held-for-sale (a)	$	$3,037	$2,940	$5,977	$(1,540)	n/m (b)	n/m (b)
Consumer finance receivables and loans, net of unearned income (c)		480	94	574	(466)	n/m (b)	n/m (b)
Commercial finance receivables and loans, net of unearned income (d)			1	1	(10)	n/m (b)	n/m (b)
Investment in operating leases, net (e)			484	484	n/m (f)	$ (93)	$(808)
GMAC Home Services assets held-for-sale (g)			182	182	(14)	n/m (b)	n/m (b)
Other assets							
Real estate and other investments (e)		141		141	n/m (f)	(30)	(51)
Repossessed and foreclosed assets, net (h)		311	500	811	(272)	n/m (b)	n/m (b)
Goodwill (i)					n/m (f)	(16)	(16)
Investment in used vehicles held-for-sale (a)			22	22	(4)	n/m (b)	n/m (b)
Total assets	$	$3,969	$4,223	$8,192	$(2,306)	$(139)	$(875)

n/m = not meaningful

(a) Represents assets held-for-sale that are required to be measured at the lower of cost or fair value. Only assets with fair values below cost are included in the table above. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
(b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. The carrying values are inclusive of the respective valuation or loan loss allowance.
(c) Included only receivables with a specific reserve established using the fair value of the underlying collateral. The related credit allowance represents the cumulative adjustment to fair value of those specific receivables.
(d) Represents the portion of the commercial portfolio impaired as of September 30, 2008. The related credit allowance represents the cumulative adjustment to fair value of those specific receivables.
(e) Represents assets impaired as of September 30, 2008. The total loss included in earnings for the three months ended September 30, 2008, represents the fair market value adjustments on the portfolio.
(f) The total loss included in earnings is the most relevant indicator of the impact on earnings.
(g) GMAC Home Services is a business unit under contract for sale and impaired as of September 30, 2008, under SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The allowance amount represents the difference between the carrying value and the estimated sale price and represents the impact to various balance sheet accounts.
(h) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value less costs to sell.
(i) Represents goodwill impaired as of September 30, 2008. The entire goodwill balance of our North American Automotive Finance operations and our Commercial Finance Group were deemed to have a fair value of zero as of September 30, 2008.

Fair Value Option for Financial Assets and Financial Liabilities

On January 1, 2008, our Mortgage operations elected to measure at fair value certain mortgage loans held-for-investment and the related debt held in the financing securitization structures that existed. During the three months ended September 30, 2009, our Mortgage operations also elected the fair value option for government and agency eligible residential loans held-for-sale funded after July 31, 2009. Our intent in electing fair value for these items was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

A description of the financial assets and liabilities elected to be measured at fair value is as follows.

On-balance sheet securitizations In years prior to 2008, our Mortgage operations executed certain domestic securitizations that did not meet certain sale criteria. As part of these domestic on-balance sheet securitizations, we typically retained the economic residual interest in the securitization. The economic residual entitles us to excess cash flows that remain at each distribution date after absorbing any credit losses in the securitization. Because sale

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treatment was not achieved, the mortgage loan collateral remained on the balance sheet and was classified as consumer finance receivable and loans; the securitization s debt was classified as secured debt; and the economic residuals were not carried on the balance sheet. After execution of the securitizations, we were required under GAAP to continue recording an allowance for loan losses on these held-for-investment loans.

As a result of market conditions and deteriorating credit performance of domestic residential mortgages, our economic exposure on certain of these domestic on-balance sheet securitizations was reduced to zero or approximating zero, thus indicating we expected minimal to no future cash flows to be received on the economic residual. While we no longer were economically exposed to credit losses in the securitizations, we were required to continue recording additional allowance for loan losses on the securitization collateral as credit performance deteriorated. Further, in accordance with GAAP, we did not record any offsetting reduction in the securitization s debt balances, even though any nonperformance of the assets would ultimately pass through as a reduction of the amount owed to the debt holders once they are contractually extinguished. As a result, we were required to record accounting losses beyond our economic exposure.

To mitigate the divergence between accounting losses and economic exposure, we elected the fair value option for a portion of the domestic on-balance sheet securitizations on January 1, 2008. In particular, we elected the fair value option for domestic on-balance sheet securitization vehicles in which we estimated that the credit reserves pertaining to securitized assets could, or already had, exceeded our economic exposure. The fair value option election was made at a securitization level; thus the election was made for both the mortgage loans held-for-investment and the related portion of on-balance sheet securitized debt for these particular securitizations.

We carry the fair value-elected loans as consumer finance receivable and loans, net of unearned income, on the Condensed Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless the loans are placed on nonaccrual status), which continues to be classified as consumer financing revenue in the Condensed Consolidated Statement of Income. We classified the fair value adjustment recorded for the loans as other income, net of losses, in the Condensed Consolidated Statement of Income.

We continued to record the fair value-elected debt balances as secured debt on the Condensed Consolidated Balance Sheet. Our policy is to separately record interest expense on the fair value-elected securitization debt, which continues to be classified as interest expense in the Condensed Consolidated Statement of Income. We classified the fair value adjustment recorded for this fair value-elected debt as other income, net of losses, in the Consolidated Statement of Income.

Government and agency eligible loans During the three months ended September 30, 2009, our Mortgage operations elected the fair value option for government and agency eligible residential loans held-for-sale funded after July 31, 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

Excluded from the fair value option were government and agency eligible loans funded on or prior to July 31, 2009, and those repurchased or re-recognized. The loans funded on or prior to July 31, 2009, were ineligible because the election must be made at the time of funding. Repurchased and re-recognized government and agency eligible loans were not elected because the election will not mitigate earning volatility. We repurchase or re-recognize loans due to representation and warranty obligations or conditional repurchase options. Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

We carry the fair value-elected government and agency eligible loans as loans held-for-sale on the Condensed Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless they are placed on nonaccrual status), which continues to be classified as loans held-for-sale revenue in the Condensed Consolidated Statement of Income. Upfront fees and costs related to the fair value-elected loans are not deferred or capitalized. The fair value adjustment recorded for these loans is classified as gain (loss) on mortgage

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loans, net, in the Condensed Consolidated Statement of Income. In accordance with GAAP, the fair value option election is irrevocable once the asset is funded even if it is subsequently determined that a particular loan cannot be sold under government programs or to the agencies.

The following tables summarize the fair value option elections and information regarding the amounts recorded as earnings for each fair value option-elected item.

	Changes included in the Condensed Consolidated Statement of Income for the three months ended September 30, 2009						
($ in millions)	Consumer financing revenue	Loans held-for-sale revenue	Total interest expense	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
Assets							
Consumer finance receivables and loans, net of unearned income	$119	$	$	$	$ 220	$ 339	$129 (b)
Loans held-for-sale		26		181		207	(c)
Liabilities							
Secured debt							
On-balance sheet securitization debt	$	$	$(55)	$	$(275)	$(330)	$(299) (d)
Total						$ 216	

(a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
(b) The credit impact for consumer finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
(c) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.
(d) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

	Changes included in the Condensed Consolidated Statement of Income for the nine months ended September 30, 2009						
($ in millions)	Consumer financing revenue	Loans held-for-sale revenue	Total interest expense	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
Assets							
Consumer finance receivables and loans, net of unearned income	$395	$	$	$	$ 453	$ 848	$ 86 (b)
Loans held-for-sale		26		181		207	(c)

Liabilities						
Secured debt						
On-balance sheet securitization debt	**$**	**$**	**$(174)**	**$**	**$(600)**	**$(774)**	**$(215) (d)**
Total						**$ 281**	

(a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
(b) The credit impact for consumer finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
(c) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.
(d) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

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	Changes included in the Condensed Consolidated Statement of Income for the three months ended September 30, 2008					
($ in millions)	Consumer financing revenue	Total interest expense	Other gain (loss) on investments, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
Assets						
Consumer finance receivables and loans, net of unearned income	$ 168	$	$	$ (75)	$ 93	$ (258) (b)
Liabilities						
Secured debt						
On-balance sheet securitization debt	$	$ (90)	$	$ 3	$ (87)	$ 119 (c)
Collateralized debt obligations		(2)	50		48	(d)
Total					$ 54	

(a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.

(b) The credit impact for consumer finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.

(c) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

(d) The credit impact for collaterized debt obligations is assumed to be zero until our economic interests in the securitization is reduced to zero at which point the losses projected on the underlying collateral will be expected to be passed through to the securitization s bonds. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

	Changes included in the Condensed Consolidated Statement of Income for the nine months ended September 30, 2008					
($ in millions)	Consumer financing revenue	Total interest expense	Other gain (loss) on investments, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
Assets						
Consumer finance receivables and loans, net of unearned income	$ 549	$	$	$ (3,043)	$ (2,494)	$ (511) (b)
Liabilities						
Secured debt						
On-balance sheet securitization debt	$	$ (299)	$	$ 2,843	$ 2,544	$ 218 (c)
Collateralized debt obligations		(11)	93		82	(d)
Total					$ 132	

(a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
(b) The credit impact for consumer finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
(c) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.
(d) The credit impact for collateralized debt obligations is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses projected on the underlying collateral will be expected to be passed through to the securitization s bonds. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

Interest income on mortgage loans held-for-investment is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the day s interest due. Interest expense on the on-balance sheet securitizations is measured by multiplying bond principal by the coupon rate and day s interest due to the investor.

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The following table provides the aggregate fair value and the aggregate unpaid principal balance for the fair value option-elected loans and long-term debt instruments.

September 30, 2009 *($ in millions)*	Unpaid principal balance	Premium/ (discount)	Loan advances/ other	Accrued interest	Fair value allowance	Fair value
Assets						
Consumer finance receivables and loans, net of unearned income						
Total loans	**$ 7,527**	**$**	**$ (144)**	**$ 64**	**$ (5,904)**	**$ 1,543**
Nonaccrual loans	**2,335**	**(a)**	**(a)**	**(a)**	**(a)**	**(a)**
Loans 90+ days past due (b)	**1,394**	**(a)**	**(a)**	**(a)**	**(a)**	**(a)**
Loans held-for-sale						
Total loans	**4,141**	**57**		**4**	**103**	**4,305**
Nonaccrual loans	**2**					**2**
Loans 90+ days past due (b)	**1**					**1**
Liabilities						
Secured debt						
On-balance sheet securitization debt	**$ (7,448)**	**$**	**$**	**$ (16)**	**$ 5,935**	**$ (1,529)**

(a) The fair value of loans held-for-investment is calculated on a pooled basis, which does not allow us to reliably estimate the fair value of loans 90+ days past due or nonaccrual loans. As a result, the fair value of these loans is not included in the table above. Unpaid principal balances were provided to allow assessment of the materiality of loans 90+ days past due and nonaccrual loans relative to total loans. For further discussion regarding the pooled basis, refer to the previous section of this Note titled *Consumer finance receivables, net of unearned income*.

(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance.

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of assets and liabilities that are considered financial instruments. Accordingly, items that do not meet the definition of a financial instrument are excluded from the table. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based upon appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein is based on information available at September 30, 2009, and December 31, 2008. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been updated since those dates; therefore, the current estimates of fair value at dates after September 30, 2009, and December 31, 2008, could differ significantly from these amounts.

	September 30, 2009		December 31, 2008	
($ in millions)	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets				
Investment securities	**$ 14,376**	**$ 14,376**	$ 7,444	$ 7,444
Loans held-for-sale	**14,963**	**15,305**	7,919	8,182

Finance receivables and loans, net	**84,478**	**72,563**	96,640	91,026
Notes receivable from GM	**969**	**947**	1,655	1,655
Derivative assets	**3,054**	**3,054**	5,014	5,014
Derivative collateral placed with counterparties (a)	**804**	**804**		
Interests retained in securitization trusts	**609**	**609**	1,001	1,001
Financial liabilities				
Debt (b)	**$ 102,532**	**$ 96,311**	$ 126,771	$ 106,119
Deposit liabilities (c)	**28,363**	**23,671**	19,221	19,298
Derivative liabilities	**1,954**	**1,954**	2,653	2,653

(a) Represents collateral in the form of investment securities.
(b) Debt includes deferred interest for zero-coupon bonds of $491 million and $450 million for September 30, 2009, and December 31, 2008, respectively.
(c) Represents certain consumer bank deposits and mortgage escrow deposits.

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The following describes the methodologies and assumptions used to determine fair value for the respective classes of financial instruments.

Investment securities Bonds, equity securities, notes, and other available-for-sale investment securities are carried at fair value. Refer to the previous sections of this Note titled *Trading securities* and *Available-for-sale securities* for a description of the methodologies and assumptions used to determine fair value. Held-to-maturity investment securities are carried at amortized cost. The fair value of the held-to-maturity investment securities is based on valuation models using market-based assumptions.

Loans held-for-sale Refer to the previous section of this Note also titled *Loans held-for-sale* for a description of methodologies and assumptions used to determine fair value.

Finance receivables and loans, net With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach). The carrying value of wholesale receivables in certain markets and certain other automotive- and mortgage-lending receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of wholesale receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

For mortgage loans held-for-investment used as collateral for securitization debt, we used a portfolio approach or an in-use premise to measure these loans at fair value. The objective in fair valuing these loans (which are legally isolated and beyond the reach of our creditors) and the related collateralized borrowings is to reflect our retained economic position in the securitizations. For mortgage loans held-for-investment that are not securitized we used valuation models and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the previous section in this Note titled *Loans held-for-sale* for a description of methodologies and assumptions used to determine fair value of mortgage loans held-for-sale.

In addition to the previously mentioned valuation methods, we also followed guidelines for determining whether a market is not active and a transaction is not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not forced liquidation or distressed sale.

Notes receivable from GM The fair value is estimated in the same manner as wholesale receivables. Refer to the section above titled *Finance receivables and loans, net* for additional information.

Derivative assets and liabilities Refer to the previous section of this Note titled *Derivative instruments* for a description of the methodologies and assumptions used to determine fair value.

Derivative collateral placed with counterparties Derivative collateral placed with counterparties in the table above represents only collateral in the form of investment securities. Refer to the previous section of this Note titled *Investment securities* for additional information.

Debt The fair value of debt was determined using quoted market prices for the same or similar issues, if available, or was based on the current rates offered to us for debt with similar remaining maturities.

Deposit liabilities Deposit liabilities represent certain consumer bank deposits as well as mortgage escrow deposits. The fair value of deposits with no stated maturity is equal to their carrying amount. The fair value of fixed-maturity deposits was estimated by discounting cash flows using currently offered rates for deposits of similar maturities.

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17. Variable Interest Entities

The following describes the VIEs that we have consolidated or in which we have a significant variable interest. We have certain secured funding arrangements that are structured through consolidating entities, as described in further detail in Note 10.

On-balance sheet securitization trusts We have certain securitization transactions that are not QSPEs and are VIEs. We typically hold the first loss position in these securitization transactions and, as a result, anticipate absorbing the majority of the expected losses of the VIE. Accordingly, we are the primary beneficiary; thus, we have consolidated these securitization trusts entities. The assets of the consolidated securitization trusts totaled $41.2 billion and $49.9 billion at September 30, 2009, and December 31, 2008, respectively. The majority of the assets are included as finance receivables and loans, net of unearned interest, on the Condensed Consolidated Balance Sheet. The liabilities of these securitization trust entities totaled $32.1 billion and $39.0 billion at September 30, 2009, and December 31, 2008, respectively. The majority of these liabilities were included as secured debt on the Condensed Consolidated Balance Sheet.

The nature of, purpose of, activities of, and our continuing involvement with the consolidated securitization trusts are virtually identical to those of our off-balance sheet securitization trusts, which are discussed in Note 7. The assets of the securitization trusts generally are the sole source of repayment on the securitization trusts liabilities. The creditors of the securitization trusts do not have recourse to our general credit with the exception of the customary representation and warranty repurchase provisions and, in certain transactions, early payment default provisions as discussed in Note 26 to the Consolidated Financial Statements in our 2008 Annual Report on Form 10-K.

During 2009, we executed an amendment to a wholesale automotive securitization transaction that was classified as a QSPE and, therefore, was unconsolidated. The amendment contractually required us to deposit additional cash into a collateral account held by the trust. Management determined the amendment caused the trust to no longer be classified as a QSPE. As a result, the trust became a consolidated entity.

Mortgage warehouse funding Our Mortgage operations transfer international residential mortgage loans into SPEs to obtain funding. The facilities have advance rates less than 100% of the pledged asset values, and in certain cases, we have provided a subordinated loan to the facility to serve as additional collateral. For certain facilities, there is an unconditional guarantee by our Mortgage operations of the entity s repayment on the related debt to the facility that provides the facility provider with recourse to our general credit. Our Mortgage operations continue to service the assets within the mortgage warehouse facilities.

The over-collateralization and the subordinated loan support the liability balance and are the primary source of repayment of the entities liabilities. Assets can be sold from the facilities so long as we support the minimum cash reserve under the borrowing base should the eligibility/concentration limit of the remaining assets require it. We are entitled to excess cash flows generated from the assets beyond those necessary to pay the facility during a particular period; therefore, we hold an economic residual. There are no other forms of support that we provide to the SPE beyond the assets (over-collateralization and subordinated loan) initially provided and the guarantee provided by our Mortgage operations of the entities performance.

Due to the subordinated loan and the guarantee, our Mortgage operations anticipate absorbing the majority of the expected losses of the VIE. Accordingly, our Mortgage operations are the primary beneficiary and thus have consolidated these entities.

The assets of these residential mortgage warehouse entities totaled $573 million, and liabilities totaled $706 million at September 30, 2009. At December 31, 2008, the assets of these residential mortgage warehouse entities totaled $1.4 billion, and liabilities totaled $1.5 billion. The majority of the assets and liabilities are included in loans held-for-sale or finance receivables and loans, net of unearned income and secured debt, respectively, on the Condensed Consolidated Balance Sheet. The creditors of these VIEs do not have legal recourse to our general credit.

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Construction and real estate lending We invest in certain entities and enter into subordinated real estate-lending arrangements. These entities are created to develop land and construct properties. Management has determined we do not have the majority of the expected losses or returns, and therefore consolidation is not appropriate. Total assets in these entities were $40 million at September 30, 2009, all of which represents our maximum exposure. Total assets in these entities were $65 million at December 31, 2008, of which $43 million represents our maximum exposure. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support or any type of support to the entity during the three months ended September 30, 2009.

Model home financings In June 2008, Cerberus purchased certain assets of our Mortgage operations with a carrying value of approximately $480 million for consideration consisting of $230 million in cash and Series B junior preferred membership interests in the newly formed entity, CMH, which is not a subsidiary of our Mortgage operations and the managing member of which is an affiliate of Cerberus. CMH purchased model home and lot option assets from our Mortgage operations.

In conjunction with this agreement, Cerberus entered into a term loan and a revolving loan with CMH. The term loan principal amount was $230 million, and the revolving loan maximum amount was $10 million. Both loans had a five-year term and a 15% interest rate. The term loan and related interest are paid from the dispositions of the model homes and lot options.

The term loan and interest due are repaid out of the dispositions of the models after CMH has repaid the loan and paid the accrued interest. Cash is distributed in the following order: (1) to the Class A senior preferred member all unreturned preferred capital, including a preferred return equal to 20% of total cash outlay less the aggregate amount of interest payments made; (2) to the Class B junior preferred member all unreturned preferred capital, including a preferred return equal to 20% of the initial Class B capital account; (3) to the Class B member until all reimbursable costs have been returned; and (4) to the common unit member (Cerberus). Based on the market conditions and market valuation adjustments, there is a risk that ResCap will not receive all of its Tier 2 payments.

As of June 30, 2009, Cerberus was repaid in full under the term loan and was paid their preferred return on Class A Senior Preferred Capital.

We consolidate CMH as we hold all the remaining interests in CMH and are, therefore, the primary beneficiary. The assets of CMH were $82 million and $186 million as of September 30, 2009, and December 31, 2008, respectively, and were included in other assets on the Condensed Consolidated Balance Sheet. The liabilities of CMH were less than $1 million and $47 million as of September 30, 2009, and December 31, 2008, respectively, which were classified as debt and accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. The beneficial interest holders of this VIE do not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support or any type of support to the entity during the three months ended September 30, 2009.

We continue to service, account for, market, and sell the assets without a servicing fee. However, we do receive reimbursement of expenses directly related to the assets such as property taxes and other direct out-of-pocket expenses. This VIE does not conduct new business; therefore, no new assets were transferred into CMH.

Servicing funding To assist in the financing of our servicing advance receivables, our Mortgage operations formed an SPE that issues term notes to third-party investors that are collateralized by servicing advance receivables. These servicing advance receivables are transferred to the SPE and consist of delinquent principal and interest advances made by our Mortgage operations, as servicer, to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The SPE funds the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our Mortgage operations. Management

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has determined that we are the primary beneficiary of the SPE and therefore consolidate the entity. The assets of this entity totaled $1.2 billion and $1.2 billion as of September 30, 2009, and December 31, 2008, respectively, which are included in other assets on the Condensed Consolidated Balance Sheet. The liabilities of this entity totaled $1.3 billion at September 30, 2009, consisting of $700 million in third-party term notes that are included within debt on the Condensed Consolidated Balance Sheet, and $591 million in affiliate payables to ResCap, which are eliminated in consolidation. The liabilities of this entity totaled $1.2 billion at December 31, 2008, consisting of $700 million in third-party term notes that are included within debt on the Condensed Consolidated Balance Sheet and $507 million in affiliate payables to ResCap that are eliminated in consolidation. The beneficial interest holder of this VIE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support to the entity during the three months ended September 30, 2009.

Commercial Finance receivables We transfer asset-backed lending receivables and commercial trade receivables into bank-sponsored multiseller commercial paper conduits. These conduits provide a funding source to us (and to other transferors into the conduit) as they fund the purchase of the receivables through the issuance of commercial paper. Total assets and liabilities outstanding in these bank-sponsored conduits approximated $895 million and $262 million, respectively, as of September 30, 2009. Total assets and liabilities outstanding in these bank-sponsored conduits approximated $2.1 billion and $781 million, respectively, as of December 31, 2008. Although we have a variable interest in these conduits, we may prepay all of the loans at our discretion at any time.

Prior to July 21, 2009, we also had a facility in which we transferred commercial-lending receivables to a 100% owned SPE that, in turn, issued notes to third-party financial institutions, our Commercial Finance Group, and asset-backed commercial paper conduits. The SPE funded the purchase of receivables from us with cash obtained from the sale of notes. Management determined we were the primary beneficiary of the SPE and therefore consolidated the entity. Additionally, beneficial interest holders of this variable interest entity did not have legal recourse to our general credit. On July 21, 2009, this facility was settled and discontinued due to the availability of alternative funding. As a result, there were no remaining assets or liabilities included in our Condensed Consolidated Balance Sheet as of September 30, 2009. As of December 31, 2008, the assets and liabilities of the SPE totaled $2.2 billion and $1.1 billion respectively, and they were included in finance receivables and loans, net of unearned income, on our Condensed Consolidated Balance Sheet.

Preferred Blocker Inc. In connection with the fourth quarter 2008 private debt exchange, we transferred GMAC Preferred Membership Interests (the Blocker Preferred) to Preferred Blocker Inc. (Blocker), a newly formed taxable C-corporation. Blocker was established for the sole purpose of investing in the Blocker Preferred and financing them through the issuance of preferred stock (the Blocker Preferred Stock) to third-party investors in connection with the December 2008 private debt exchange. Blocker did not engage in any business activities, hold any assets, or incur any liabilities other than in connection with the issuance and maintenance of Blocker Preferred Stock. In connection with the arrangement described above, GMAC held 5,000,000 shares of Blocker common stock with a par value of $0.01. Additionally, we were bound by a Keep-Well Agreement with Blocker in which we were required to make payment to Blocker in the event that Blocker s expenses, primarily its income tax expense, were greater than the dividend spread between the Blocker Preferred (11.86% dividend rate per annum) and the Blocker Preferred Stock (7% dividend rate per annum). Due to the spread in rates, Blocker's tax rate would have to have exceeded 41.0% before we would have been required to make payment under the Keep-Well Agreement. Since this rate is in excess of common corporate taxable rates, the potential for loss under the agreement was considered remote, unless corporate tax rates increased. Although we held these variable interests in Blocker, we were not considered to be the primary beneficiary as we did not retain the majority of the expected losses or returns. Blocker was a wholly owned nonconsolidated subsidiary of GMAC. In connection with GMAC's June 30, 2009, conversion from a limited liability company to a corporation effective October 15, 2009, Blocker was merged with and into GMAC with GMAC continuing as the servicing entity; the Blocker Preferred Stock was converted into the right to receive Fixed Rate Cumulative Perpetual Preferred Stock, Series G, of GMAC. For further information, refer to Note 19, which describes certain subsequent events.

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18. Segment Information

Financial results for our reportable segments are summarized below.

Three months ended September 30,	Global Automotive Finance operations (a)					
($ in millions)	**North American operations**	**International operations (b)**	**Mortgage operations (c)(d)**	**Insurance operations**	**Corporate and Other (d)(e)**	**Consolidated**
2009						
Net financing revenue (loss)	**$ 656**	**$ 251**	**$ 120**	**$**	**$ (453)**	**$ 574**
Other revenue	**289**	**97**	**465**	**683**	**1**	**1,535**
Total net revenue (loss)	**945**	**348**	**585**	**683**	**(452)**	**2,109**
Provision for loan losses	**122**	**33**	**349**		**200**	**704**
Noninterest expense	**478**	**265**	**983**	**602**	**40**	**2,368**
Income (loss) from continuing operations before income tax expense (benefit)	**345**	**50**	**(747)**	**81**	**(692)**	**(963)**
Income tax expense (benefit) from continuing operations	**31**	**33**	**(154)**	**56**	**(258)**	**(292)**
Net income (loss) from continuing operations	**314**	**17**	**(593)**	**25**	**(434)**	**(671)**
(Loss) income from discontinued operations, net of tax		**(167)**		**71**		**(96)**
Net income (loss)	**$ 314**	**$ (150)**	**$ (593)**	**$ 96**	**$ (434)**	**$ (767)**
Total assets	**$104,369**	**$24,217**	**$56,927**	**$11,660**	**$(18,919)**	**$178,254**
2008						
Net financing revenue (loss)	$ 265	$ 238	$ 38	$	$ (35)	$ 506
Other revenue (loss)	240	47	(194)	787	(186)	694
Total net revenue (loss)	505	285	(156)	787	(221)	1,200
Provision for loan losses	390	47	652		10	1,099
Noninterest expense	438	294	1,141	714	153	2,740
(Loss) income before income tax (benefit) expense from continuing operations	(323)	(56)	(1,949)	73	(384)	(2,639)
Income tax (benefit) expense from continuing operations	(73)	(24)	(18)	2	12	(101)
Net (loss) income from continuing operations	(250)	(32)	(1,931)	71	(396)	(2,538)
		(12)		26	1	15

(Loss) income from discontinued operations, net of tax						
Net (loss) income	$ (250)	$ (44)	$ (1,931)	$ 97	$ (395)	$ (2,523)
Total assets	$123,394	$34,045	$57,945	$12,459	$(16,516)	$211,327

(a) North American operations consist of automotive financing in the United States, Canada, and Puerto Rico. International operations consist of automotive financing and full-service leasing in all other countries.
(b) Amounts include intrasegment eliminations between North American operations and International operations.
(c) Represents the ResCap legal entity and the mortgage activities of Ally Bank and ResMor Trust.
(d) Refer to Note 1 for a description of changes to historical financial data for Mortgage operations and Corporate and Other reportable segment.
(e) Represents our Commercial Finance Group, certain equity investments, other corporate activities, and reclassifications and eliminations between the reportable operating segments.

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Nine months ended September 30, *($ in millions)*	Global Automotive Finance operations (a) North American operations	International operations (b)	Mortgage operations (c)(d)	Insurance operations	Corporate and Other (d)(e)	Consolidated
2009						
Net financing revenue (loss)	**$ 1,635**	**$ 684**	**$ 261**	**$**	**$ (1,146)**	**$ 1,434**
Other revenue (loss)	**821**	**287**	**(101)**	**1,914**	**416**	**3,337**
Total net revenue (loss)	**2,456**	**971**	**160**	**1,914**	**(730)**	**4,771**
Provision for loan losses	**272**	**143**	**1,915**		**378**	**2,708**
Noninterest expense	**1,292**	**764**	**2,174**	**1,708**	**124**	**6,062**
Income (loss) from continuing operations before income tax expense (benefit)	**892**	**64**	**(3,929)**	**206**	**(1,232)**	**(3,999)**
Income tax expense (benefit) from continuing operations	**942**	**174**	**(480)**	**88**	**(43)**	**681**
Net (loss) income from continuing operations	**(50)**	**(110)**	**(3,449)**	**118**	**(1,189)**	**(4,680)**
Loss from discontinued operations, net of tax		**(177)**		**(488)**		**(665)**
Net loss	**$ (50)**	**$ (287)**	**$ (3,449)**	**$ (370)**	**$ (1,189)**	**$ (5,345)**
Total assets	**$104,369**	**$24,217**	**$56,927**	**$11,660**	**$(18,919)**	**$178,254**
2008						
Net financing revenue	$ 280	$ 990	$ 210	$	$ 69	$ 1,549
Other revenue (loss)	721	333	(973)	2,546	(226)	2,401
Total net revenue (loss)	1,001	1,323	(763)	2,546	(157)	3,950
Provision for loan losses	755	153	1,414		23	2,345
Noninterest expense	1,282	927	2,438	2,164	363	7,174
(Loss) income from continuing operations before income tax (benefit) expense	(1,036)	243	(4,615)	382	(543)	(5,569)
Income tax (benefit) expense from continuing operations	(86)	30	65	81	(18)	72
	(950)	213	(4,680)	301	(525)	(5,641)

Net (loss) income from continuing operations						
(Loss) income from discontinued operations, net of tax		(16)		63		47
Net (loss) income	$ (950)	$ 197	$ (4,680)	$ 364	$ (525)	$ (5,594)
Total assets	$123,394	$34,045	$57,945	$12,459	$(16,516)	$211,327

(a) North American operations consist of automotive financing in the United States, Canada, and Puerto Rico. International operations consist of automotive financing and full-service leasing in all other countries.
(b) Amounts include intrasegment eliminations between North American operations and International operations.
(c) Represents the ResCap legal entity and the mortgage activities of Ally Bank and ResMor Trust.
(d) Refer to Note 1 for a description of changes to historical financial data for Mortgage operations and Corporate and Other reportable segment.
(e) Represents our Commercial Finance Group, certain equity investments, other corporate activities, and reclassifications and eliminations between the reportable operating segments.

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19. Subsequent Events

We evaluated subsequent events through November 10, 2009, (the date the Condensed Consolidated Financial Statements were filed with the SEC).

Restructuring Transactions

Effective June 30, 2009, and as previously disclosed, GMAC was converted (the Conversion) from a Delaware limited liability company into a Delaware corporation in accordance with applicable law and was renamed GMAC Inc. In connection with the Conversion, the 7% Cumulative Perpetual Preferred Stock (the Blocker Preferred Stock) of Preferred Blocker Inc. (Blocker), a wholly owned subsidiary of GMAC, was required by its terms to be converted into or exchanged for preferred stock of GMAC. For this purpose, GMAC had previously authorized for issuance its 7% Fixed Rate Cumulative Perpetual Preferred Stock, Series G (the Series G Preferred). Pursuant to the terms of a Certificate of Merger, effective October 15, 2009, (the Effective Time) Blocker has merged with and into GMAC, with GMAC continuing as the surviving entity (the Merger). At the Effective Time, each share of the Blocker Preferred Stock issued and outstanding immediately prior to the Effective Time was converted into the right to receive an equal number of newly issued shares of Series G Preferred. In the aggregate, 2,576,601 shares of Series G Preferred were issued in connection with the Merger.

In connection with the Merger, GMAC s keep-well agreement with Blocker terminated in accordance with its terms. The keep-well agreement had previously obligated GMAC to provide funds to Blocker necessary to pay all expenses and unpaid dividends on the Blocker Preferred Stock in the event that dividend payments on Fixed Rate Cumulative Perpetual Preferred Stock, Series E (the Series E Preferred), held by Blocker were insufficient to pay in full such expenses and declared and unpaid dividends on the Blocker Preferred Stock. In addition, each share of Series E Preferred previously held by Blocker was canceled and returned to authorized but unissued status.

The Series G Preferred has substantially the same rights, preferences and economic benefits as previously provided to holders of the Blocker Preferred Stock pursuant to the terms and conditions of the Blocker Preferred Stock and Series E Preferred. Among other terms, the Series G Preferred will bear interest at a rate of 7% per annum and will rank equally in right of payment with each of GMAC s outstanding series of preferred stock in accordance with the terms thereof.

Separately, FIM Coinvestors Holdings I LLC, FIM CB Holdings LLC, CB FIM LLC, CB FIM Coinvestors I, LLC, and CB FIM Coinvestors, LLC (collectively, the FIM Entities), each of which holds GMAC common stock, have entered into agreements with GMAC (the Restructuring Agreements) to restructure their common stock investments. Effective October 15, 2009, GMAC exchanged all of the GMAC common stock previously held by each FIM Entity (the Old Common Stock) for new shares of GMAC common stock (the New Common Stock) with identical terms to the Old Common Stock in an amount equal to the number of shares of Old Common Stock acquired from each respective FIM Entity. Under the Restructuring Agreements, each FIM Entity is obligated to distribute the New Common Stock to its equity holders (the FIM Investors) and dissolve and terminate its existence as soon as practicable following October 15, 2009. As a result, the FIM Investors will hold common stock of GMAC directly and not through their investments in the FIM Entities.

Declaration of Quarterly Dividend Payments

On October 15, 2009, our Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of $20 per share, or a total of $100 million, on the Fixed Rate Cumulative Perpetual Preferred Stock, Series D-1; a cash dividend of $22.50 per share, or a total of $5.6 million, on the Fixed Rate Cumulative Perpetual Preferred Stock, Series D-2; a cash dividend of $1.125 per share, or a total of $177.2 million, on the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F; and a cash payment of $17.31 per share, or a total of approximately $44.6 million, on the Fixed Rate Cumulative Perpetual Preferred Stock, Series G.

Sale of U.S. Consumer Property and Casualty Insurance Business

On October 16, 2009, a subsidiary of GMAC reached an agreement to sell GMAC s U.S. consumer property and casualty insurance business to American Capital Acquisition Corporation. This agreement follows a comprehensive strategic review of GMAC s broader insurance business, which includes GMAC s U.S. automobile, commercial vehicle, motorcycle,

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and recreational vehicle insurance offerings. The dealer-related insurance business, which includes extended service contracts and insurance for auto dealer inventories, is not affected by this transaction and remains a strategic component of GMAC s insurance platform. The closing of the transaction is subject to regulatory approval and other customary closing conditions.

Temporary Liquidity Guarantee Program (TLGP)

In the second quarter of 2009, we received approval to participate in the FDIC s TLGP for up to $7.4 billion. This program allows us to issue senior unsecured debt guaranteed by the FDIC in return for a fee based on the amount and maturity of the debt. During the second quarter of 2009, we issued $4.5 billion of FDIC-guaranteed unsecured long-term debt. The securities offering included $3.5 billion aggregate principal amount of senior fixed rate notes and $1.0 billion aggregate principal amount of senior floating rate notes, both due in December 2012. On October 30, 2009, we issued an additional $2.9 billion aggregate principal amount of FDIC-guaranteed unsecured long-term debt. These securities were senior fixed rate notes due in October 2012.

Capmark Financial Group, Inc.

Capmark Financial Group Inc. (Capmark) announced that on October 25, 2009, Capmark and certain of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. During the fourth quarter of 2008, we recognized a full impairment of our equity investment in Capmark, and as a result, our equity investment has been reduced to zero. We are currently evaluating other potential impacts of the bankruptcy filings, but we do not expect any potential financial impact to be material to GMAC.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operation

Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, our Condensed Consolidated Financial Statements, and the Notes to Condensed Consolidated Financial Statements. The historical financial information presented may not be indicative of our future performance.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2009**	2008	**2009**	2008
Financial statement data				
Total financing revenue and other interest income	**$ 3,417**	$ 4,951	**$ 10,713**	$ 15,544
Interest expense	**1,899**	2,880	**6,125**	8,880
Depreciation expense on operating lease assets	**944**	1,472	**3,154**	4,307
Impairment on investment in operating leases		93		808
Net financing revenue	**574**	506	**1,434**	1,549
Total other revenue	**1,535**	694	**3,337**	2,401
Total net revenue	**2,109**	1,200	**4,771**	3,950
Provision for loan losses	**704**	1,099	**2,708**	2,345
Total noninterest expense	**2,368**	2,740	**6,062**	7,174
Loss before income tax (benefit) expense	**(963)**	(2,639)	**(3,999)**	(5,569)
Income tax (benefit) expense (a)	**(292)**	(101)	**681**	72
Net loss from continuing operations	**(671)**	(2,538)	**(4,680)**	(5,641)
(Loss) income from discontinued operations, net of tax	**(96)**	15	**(665)**	47
Net loss	**$ (767)**	$ (2,523)	**$ (5,345)**	$ (5,594)
Total assets	**$ 178,254**	$ 211,327	**$ 178,254**	$ 211,327
Total debt	**$ 102,041**	$ 160,631	**$ 102,041**	$ 160,631
Total equity	**$ 24,941**	$ 9,248	**$ 24,941**	$ 9,248
Financial ratios (b)				
Return on assets	**(1.72)%**	(4.78)%	**(4.00)%**	(3.53)%
Return on equity	**(12.30)%**	(109.13)%	**(28.57)%**	(80.65)%
Equity to assets ratio	**13.99%**	4.38%	**13.99%**	4.38%
Regulatory capital ratios				
Tier 1 capital	**14.41%**	n/a(c)	**14.41%**	n/a(c)
Total risk-based capital	**15.82%**	n/a(c)	**15.82%**	n/a(c)
Tier 1 leverage	**13.50%**	n/a(c)	**13.50%**	n/a(c)
Tier 1 common	**6.06%**	n/a(c)	**6.06%**	n/a(c)

(a) Effective June 30, 2009, GMAC converted into a corporation and, as a result, will be subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Refer to Note 14 to the Condensed Consolidated Financial Statements for additional information regarding our change in tax status.
(b) Ratios computed based on total assets and total equity as of September 30, 2009 and 2008.
(c) Not applicable (n/a) as of September 30, 2008, as GMAC did not become a bank holding company until December 24, 2008.

Overview

GMAC is a leading, independent, globally diversified, financial services firm with approximately $178 billion of assets at September 30, 2009. Founded in 1919 as a wholly owned subsidiary of General Motors Corporation, GMAC was established to provide dealers with the automotive financing necessary to acquire and maintain vehicle inventories and to provide retail customers the means by which to finance vehicle purchases through GM dealers. On November 30, 2006, General Motors Corporation sold a 51% interest in us (the Sale Transactions) to FIM Holdings LLC (FIM Holdings), an investment consortium led by Cerberus FIM Investors, LLC, the sole managing member. On December 24, 2008, the Board of Governors of the Federal Reserve System (the Board of Governors) approved our application to become a bank

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holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act). In connection with this approval, General Motors Corporation and FIM Holdings were required to significantly reduce their voting equity ownership interests in GMAC. These reductions in ownership occurred in 2009.

We currently operate in the following primary lines of business Global Automotive Finance, Mortgage, Insurance, and Corporate and Other. During the three months ended September 30, 2009, we committed to sell the U.S. consumer property and casualty insurance business of our Insurance operations and certain operations of our International Automotive Finance operations. For all periods presented, all of the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information regarding our discontinued operations.

The following table summarizes the operating results of each line of business for the three months and nine months ended September 30, 2009 and 2008. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

	Three months ended September 30,			Nine months ended September 30,		
($ in millions)	**2009**	2008	**Favorable/ (unfavorable) % change**	**2009**	2008	**Favorable/ (unfavorable) % change**
Total net revenue (loss)						
Global Automotive Finance operations	**$ 1,293**	$ 790	**64**	**$ 3,427**	$ 2,324	**47**
Mortgage operations	**585**	(156)	**n/m**	**160**	(763)	**121**
Insurance operations	**683**	787	**(13)**	**1,914**	2,546	**(25)**
Corporate and Other	**(452)**	(221)	**(105)**	**(730)**	(157)	**n/m**
Total	**$ 2,109**	$ 1,200	**76**	**$ 4,771**	$ 3,950	**21**
Income (loss) before income tax (benefit) expense						
Global Automotive Finance operations	**$ 395**	$ (379)	**n/m**	**$ 956**	$ (793)	**n/m**
Mortgage operations	**(747)**	(1,949)	**62**	**(3,929)**	(4,615)	**15**
Insurance operations	**81**	73	**11**	**206**	382	**(46)**
Corporate and Other	**(692)**	(384)	**(80)**	**(1,232)**	(543)	**(127)**
Total	**$ (963)**	$ (2,639)	**64**	**$ (3,999)**	$ (5,569)	**28**
Net (loss) income from continuing operations						
Global Automotive Finance operations	**$ 331**	$ (282)	**n/m**	**$ (160)**	$ (737)	**78**
Mortgage operations	**(593)**	(1,931)	**69**	**(3,449)**	(4,680)	**26**
Insurance operations	**25**	71	**(65)**	**118**	301	**(61)**
Corporate and Other	**(434)**	(396)	**(10)**	**(1,189)**	(525)	**(126)**
Total	**$ (671)**	$ (2,538)	**74**	**$ (4,680)**	$ (5,641)	**17**

n/m = not meaningful

Our Global Automotive Finance operations offer a wide range of financial services and products (directly and indirectly) to retail automotive consumers, automotive dealerships, and other commercial businesses. Our Global Automotive Finance operations consist of two separate reportable segments North American Automotive Finance operations and International Automotive Finance operations. The products and services offered by our Global Automotive Finance operations include the purchase of retail installment sales contracts and leases, offering of term loans, financing of dealer floorplans and other lines of credit to dealers, fleet leasing, and

vehicle remarketing services. In addition, our Global Automotive Finance operations utilize asset securitization and whole-loan sales to the extent available as a critical component of our diversified funding strategy.

International Automotive Finance operations announced plans to cease retail and wholesale originations in Australia, New Zealand, Argentina, and retail originations in several European markets. We further implemented more conservative pricing policies throughout most remaining international markets to more closely align lending

activity with the funding available in the current capital markets. As a result of these actions, automotive financing volume was significantly lower in the three months and nine months ended September 30, 2009, compared to the same periods in 2008.

On April 30, 2009, we entered into an agreement with Chrysler LLC (Chrysler) to provide automotive financing products and services to Chrysler dealers and customers. We are the preferred provider of new wholesale financing for Chrysler dealer inventory in the United States, Canada, and Mexico, along with other international markets upon the mutual agreement of the parties. The four-year agreement provides for incentivized retail financing with limited exclusivity and certain protections designed to minimize our risk of loss. We have put in place new interim dealer funding and have substantially completed the process of conducting credit assessments of each Chrysler dealer. All decisions to establish credit lines or to provide other products and services with a dealer are at our sole discretion. We have also agreed to work with Chrysler to develop other dedicated or customized services as the parties may agree from time to time.

Our Mortgage operations engage in the origination, purchase, servicing, sale, and securitization of consumer (i.e., residential) mortgage loans and mortgage-related products. Mortgage operations include the Residential Capital, LLC (ResCap) legal entity, the mortgage operations of Ally Bank, and the Canadian mortgage operations of ResMor Trust. In response to market conditions, our Mortgage operations have substantially eliminated production of loans that do not conform to the underwriting guidelines of Fannie Mae, Freddie Mac, and Ginnie Mae. Mortgage operations have further curtailed activities related to both their business capital group (which provides financing and equity capital to residential land developers and homebuilders) and their international business group (which has substantially all its operations outside of the United States) except for insured mortgages in Canada. Certain agreements are in place between ResCap and GMAC that restrict ResCap s ability to declare dividends or prepay subordinated indebtedness owed to GMAC that may inhibit GMAC s ability to return funds for dividend and debt payments.

Our Insurance operations offer vehicle service contracts and underwrite personal automobile insurance coverages and selected commercial insurance coverages in the United States and internationally. We are a leading provider of vehicle service contracts with mechanical breakdown and maintenance coverages. Our vehicle service contracts offer vehicle owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer s new vehicle warranty. Internationally, we underwrite and market physical damage and liability insurance coverages for passenger automobiles, recreational vehicles, and commercial automobiles through independent agency, direct response, and internet channels. We also provide commercial insurance primarily covering dealers wholesale vehicle inventory.

Corporate and Other operations consist of our Commercial Finance Group, certain equity investments, corporate activities, and reclassifications and eliminations between the reportable segments.

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Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown.

	Three months ended September 30,			Nine months ended September 30,		
($ in millions)	**2009**	2008	Favorable/ (unfavorable) % change	**2009**	2008	Favorable/ (unfavorable) % change
Revenue						
Total financing revenue and other interest income	**$ 3,417**	$ 4,951	**(31)**	**$ 10,713**	$ 15,544	(31)
Interest expense	**1,899**	2,880	**34**	**6,125**	8,880	31
Depreciation expense on operating lease assets	**944**	1,472	**36**	**3,154**	4,307	27
Impairment of investment in operating leases		93	**100**		808	100
Net financing revenue	**574**	506	**13**	**1,434**	1,549	(7)
Other revenue						
Net servicing income	**274**	180	**52**	**481**	1,341	(64)
Insurance premiums and service revenue earned	**582**	791	**(26)**	**1,697**	2,352	(28)
Gain (loss) on mortgage and automotive loans, net	**194**	25	**n/m**	**128**	(1,674)	108
Gain on extinguishment of debt	**10**	59	**(83)**	**667**	1,164	(43)
Other gain (loss) on investments, net	**216**	(396)	**155**	**297**	(846)	135
Other income, net of losses	**259**	35	**n/m**	**67**	64	5
Total other revenue	**1,535**	694	**121**	**3,337**	2,401	39
Total net revenue	**2,109**	1,200	**76**	**4,771**	3,950	21
Provision for loan losses	**704**	1,099	**36**	**2,708**	2,345	(15)
Noninterest expense						
Insurance losses and loss adjustment expenses	**335**	423	**21**	**984**	1,310	25
Impairment of goodwill		16	**100**		16	100
Other operating expenses	**2,033**	2,301	**12**	**5,078**	5,848	13
Total noninterest expense	**2,368**	2,740	**14**	**6,062**	7,174	16
Loss from continuing operations before income tax (benefit) expense	**(963)**	(2,639)	**64**	**(3,999)**	(5,569)	28
Income tax (benefit) expense from continuing operations	**(292)**	(101)	**189**	**681**	72	n/m
Net loss from continuing operations	**$ (671)**	$ (2,538)	**74**	**$ (4,680)**	$ (5,641)	17

n/m = not meaningful

We reported a net loss from continuing operations of $671 million for the three months ended September 30, 2009, compared to a net loss of $2.5 billion for the three months ended September 30, 2008, and a net loss of $4.7 billion for the nine months ended September 30, 2009, compared to a net loss of $5.6 billion for the same period in 2008. Continuing operations results were adversely affected by losses related to legacy assets in our Mortgage operations and overall continued weak consumer credit performance. These adverse impacts were partially offset by a strengthening used automobile market.

Total financing revenue and other interest income decreased by 31% for both the three months and nine months ended September 30, 2009, compared to the same periods in 2008, primarily due to lower asset levels at our Global Automotive Finance operations and Mortgage operations as a result of lower asset origination levels and portfolio runoff. Consumer and operating lease revenue (along with the related depreciation expense) at our Global Automotive Finance operations decreased as a result of declining originations due to the continued credit market dislocation, the overall economic conditions, low consumer confidence, and our strategic decisions in late 2008 to significantly curtail leasing. In

addition, our International Automotive Finance operations experienced lower commercial asset levels due to operations winding down in several countries. Declines in asset levels at our Mortgage operations resulted from asset sales, increases in nonaccrual loan levels, and portfolio runoff.

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Interest expense decreased $981 million and $2.8 billion in the three months and nine months ended September 30, 2009, respectively, compared to the same periods in 2008. Interest expense at our Global Automotive Finance operations decreased $1.0 billion and $2.4 billion for the three months and nine months ended September 30, 2009, respectively, primarily as a result of reductions in the average balance of interest-bearing liabilities, lower interest rates, and favorable net derivative activity. The $374 million and $1.4 billion decreases during the three months and nine months ended September 30, 2009, respectively, at our Mortgage operations were primarily due to a lower average cost of funds due to declining interest rates and lower average borrowings related to a reduction in asset levels and extinguishments of ResCap debt. The decreases in interest expense during the three months and nine months ended September 30, 2009, respectively, were offset by $398 million and $985 million increases at our Corporate and Other operations segment primarily due to the amortization of the original issue discount associated with our December 2008 bond exchange.

No impairment of investment in operating leases was recognized in 2009. The $93 million and $808 million impairment recognized by our North American Automotive Finance operations for the three months and nine months ended September 30, 2008, respectively, resulted from a sharp decline in demand and used vehicle sale prices for sport-utility vehicles and trucks in the United States and Canada, which affected our remarketing proceeds.

Net servicing income increased 52% and decreased 64% in the three months and nine months ended September 30, 2009, respectively, compared to the same periods in 2008. The increase in the three-month period was mainly due to the negative mortgage servicing valuations recognized in the third quarter of 2008 as a result of increases in the cost of servicing assets resulting from higher delinquencies and defaults. The third quarter of 2009 was unfavorably impacted by the write-off of servicing contracts that have been, or are projected to be, terminated due to breach of delinquency and/or cumulative loss triggers. The decrease in the nine-month period was largely driven by unfavorable hedge performance during the first six months of 2009 due to changes in the spreads between our servicing assets and derivatives, which are used to manage interest rate risk. Our ability to fully hedge interest risk and interest rate volatility was restricted in the latter half of 2008 and during the nine-months ended September 30, 2009, by the limited availability of willing counterparties to enter into forward agreements and liquidity constraints hindering our ability to take positions in the option markets. Servicing fees also declined as a result of portfolio runoff and the sales of certain servicing assets during the second half of 2008.

Insurance premiums and service revenue earned decreased $209 million and $655 million in the three months and nine months ended September 30, 2009, respectively, compared to the same periods in 2008. Insurance premium and service revenue earned decreased primarily due to the sale of our U.S. reinsurance agency in November 2008. Additionally, decreases were experienced during both periods due to lower volume in our dealership-related products and international operations due to the competitive environment.

The net gain on mortgage and automotive loans was $194 million and $128 million for the three months and nine months ended September 30, 2009, respectively, compared to a net gain of $25 million and a net loss of $1.7 billion for the three months and nine months ended September 30, 2008, respectively. The improvements in the 2009 periods were primarily due to realized losses related to asset sales and significant unfavorable valuation adjustments recorded in 2008 on our mortgage loans held-for-sale, internationally in the United Kingdom and continental Europe, and domestically in our purchased distressed mortgage asset portfolio. Additionally, the three months and nine months ended September 30, 2009, were favorably impacted by improved margins on sales of loans as a result of our focus on originating only government insured and agency eligible mortgage loans. Partially offsetting the positive impact were losses resulting from asset reductions in our international markets, including the sale of our Spanish platform and whole loan asset sales in the United Kingdom.

Gain on extinguishment of debt totaled $10 million and $667 million for the three months and nine months ended September 30, 2009, respectively, compared to $59 million and $1.2 billion for the three months and nine months ended September 30, 2008, respectively. The decreases during the three months and nine months ended September 30, 2009, were primarily due to gains on extinguishment of debt recognized by our Mortgage operations on ResCap s private debt tender and exchange offerings and through GMAC s open market repurchase transactions completed during 2008, which did not recur in 2009. This was partially offset during the nine-month period ended September 30, 2009, by a $634 million gain on the extinguishment of certain GMAC debt as part of privately negotiated transactions.

Other gain on investments was $216 million and $297 million for the three months and nine months ended September 30, 2009, respectively, compared to losses of $396 million and $846 million for the three months and nine months

ended September 30, 2008, respectively. The comparative increases were primarily related to favorable mark-to-market adjustments on retained interests in securitization trusts due to narrowing credit spreads and the absence of significant realized investment losses taken in 2008, which were driven by market volatility. This favorability was partially offset during the nine months ended September 30, 2009, by impairments on certain equity method investments within our Mortgage operations.

Other income, net of losses, increased $224 million for the three months ended September 30, 2009, and increased $3 million for the nine months ended September 30, 2009, compared to the same periods in 2008. The improvement in the three-month period ended September 30, 2009, was driven by lower losses on the sale of foreclosed real estate, lower impairments on lot option projects and model homes, and negative valuations recorded in the first nine months of 2008 on our retained interests due to increases in discount rate and severity assumptions.

The provision for loan losses decreased $395 million and increased $363 million during the three months and nine months ended September 30, 2009, respectively, compared to the same periods in 2008. Our Mortgage operations experienced a decrease of $303 million and an increase of $501 million for the three months and nine months ended September 30, 2009, respectively. The decrease during the three-month period was primarily due to lower mortgage loan and lending receivables balances in 2009 compared to 2008. The increase during the nine-month period was primarily due to higher provisions in the Ally Bank mortgage loan portfolio driven by higher delinquencies and loss severities as well as higher specific reserves during the first half of 2009 against a number of distressed real estate loans in our commercial-lending portfolio. Our Global Automotive Finance operations experienced a decrease of $282 million and $493 million for the three months and nine months ended September 30, 2009, respectively, primarily due to a decrease in the provision for retail balloon contracts as a result of a strengthening used vehicle market in the United States and portfolio runoff as this product was curtailed in September 2008. Our Commercial Finance Group experienced an increase of $189 million and $354 million for the three months and nine months ended September 30, 2009, respectively, due to increases in provision expense within the resort finance business and within our European operations.

Insurance losses and loss adjustment expenses totaled $335 million and $984 million for the three months and nine months ended September 30, 2009, respectively, compared to $423 million and $1.3 billion for the three months and nine months ended September 30, 2008, respectively. The decreases were primarily driven by the sale of our U.S. reinsurance agency and lower loss experience in our dealership-related products as a result of lower volumes.

No impairment of goodwill was recognized from continuing operations during 2009. During the three months and nine months ended September 30, 2008, our North American Automotive Finance operations recognized impairment of $14 million and our Commercial Finance Group recognized impairment of $2 million as a result of our annual assessment.

Other operating expenses decreased 12% and 13% for the three months and nine months ended September 30, 2009, respectively, compared to the same periods in 2008. The improvements were primarily due to decreases in compensation and benefits expense, lower insurance commissions, reduced restructuring expenses, and reduced professional services expenses. These favorable impacts were partially offset by higher mortgage representation and warranty expenses compared to the same periods in 2008.

We recognized a consolidated tax benefit of $292 million and an expense of $681 million for the three months and nine months ended September 30, 2009, respectively, compared to a benefit of $101 million and an expense of $72 million for the same periods in 2008. The three months ended September 30, 2009, was driven by higher tax benefits on operating losses as a result of our conversion to a corporation along with favorable prior-year tax adjustments related to audit closures. The increase in the tax expense during the nine months ended September 30, 2009, was primarily due to our change in tax status, which resulted in the recognition of a $1.2 billion net deferred tax liability through income tax expense as of June 30, 2009. The increase in expense during the nine months ended September 30, 2009, was partially offset by higher valuation allowances in 2008 compared to 2009. Refer to Note 14 to the Condensed Consolidated Financial Statements for additional information regarding our change in tax status.

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Global Automotive Finance Operations

Results of Operations

During the three months ended September 30, 2009, we committed to sell certain operations of our International Automotive Finance operations. Accordingly, the results associated with these discontinued operations have been removed from continuing operations for all periods presented. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information regarding our discontinued operations.

The following table summarizes the operating results of our Global Automotive Finance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments and include eliminations of balances and transactions among our North American and International reportable segments.

	Three months ended September 30,			Nine months ended September 30,		
($ in millions)	**2009**	2008	**Favorable/ (unfavorable) % change**	**2009**	2008	**Favorable/ (unfavorable) % change**
Revenue						
Consumer	**$ 820**	$ 1,097	**(25)**	**$ 2,547**	$ 3,358	**(24)**
Commercial	**354**	461	**(23)**	**1,081**	1,330	**(19)**
Loans held-for-sale	**82**	112	**(27)**	**205**	394	**(48)**
Operating leases	**1,454**	2,026	**(28)**	**4,689**	6,096	**(23)**
Interest and dividend income	**312**	550	**(43)**	**933**	1,633	**(43)**
Total financing revenue and other interest income	**3,022**	4,246	**(29)**	**9,455**	12,811	**(26)**
Interest expense	**1,171**	2,179	**465**	**3,982**	6,428	**38**
Depreciation expense on operating leases	**944**	1,471	**36**	**3,154**	4,305	**27**
Impairment of investment in operating leases		93	**100**		808	**100**
Net financing revenue	**907**	503	**80**	**2,319**	1,270	**83**
Other revenue						
Servicing fees	**57**	72	**(21)**	**182**	223	**(18)**
(Loss) gain on automotive loans, net	**(33)**	163	**(120)**	**116**	274	**(58)**
Other gain (loss) on investments, net	**158**	(107)	**n/m**	**271**	(167)	**n/m**
Other income	**204**	159	**28**	**539**	724	**(26)**
Total other revenue	**386**	287	**34**	**1,108**	1,054	**5**
Total net revenue	**1,293**	790	**64**	**3,427**	2,324	**47**
Provision for loan losses	**155**	437	**65**	**415**	908	**54**
Impairment of goodwill		14	**100**		14	**100**
Noninterest expense	**743**	718	**(3)**	**2,056**	2,195	**6**
Income (loss) from continuing operations before income tax expense (benefit)	**395**	(379)	**n/m**	**956**	(793)	**n/m**
Income tax expense (benefit) from continuing operations	**64**	(97)	**(166)**	**1,116**	(56)	**n/m**
Net income (loss) from continuing operations	**$ 331**	$ (282)	**n/m**	**$ (160)**	$ (737)	**78**
Total assets	**$ 128,586**	$ 157,439	**(18)**			

n/m = not meaningful

Our Global Automotive Finance operations experienced net income from continuing operations of $331 million and net loss from continuing operations of $160 million for the three months and nine months ended September 30, 2009, respectively, compared to net loss from continuing operations of $282 million and $737 million for the three months and

months ended September 30, 2008, respectively. The three months and nine months ended September 30, 2009, were impacted by lower interest expense due to lower interest-bearing liabilities (as funding levels have declined commensurate with a declining asset base) and lower interest rates. Additionally, a strengthening used automobile market resulting in a lower provision for loan losses and favorable remarketing results. These favorable items were partially offset by lower financing revenue related to a declining asset base resulting from reduced originations due to the economic recession and the dislocation in the capital and credit markets. Additionally, results for the nine months ended September 30, 2008, were unfavorably impacted by operating lease impairments taken as a result of used vehicle prices. The nine months ended September 30, 2009, were unfavorably impacted by higher income tax expense resulting from GMAC s conversion to a corporation for federal income tax purposes effective June 30, 2009.

Total financing revenue and other interest income decreased 29% and 26% for the three months and nine months ended September 30, 2009, respectively, compared to the same periods in 2008. Consumer revenue (combined with interest income on consumer loans held-for-sale) decreased 25% and 27% during the three months and nine months ended September 30, 2009, primarily due to lower consumer asset levels as a result of significantly lower originations in late 2008 due to the general economic recession, lower GM vehicle sales volume in 2009, and the wind-down of operations in several countries in our International Automotive Finance operations. Consumer asset levels (including loans held-for-sale) as of September 30, 2009, decreased $9.6 billion, or 19%, compared to September 30, 2008. The $82 million and $205 million of income on consumer loans held-for-sale for the three months and nine months ended September 30, 2009, respectively, related to interest on loans that are expected to be sold in whole-loan and securitization transactions over the next twelve months. Commercial revenue decreased 23% and 19%, compared to the three months and nine months ended September 30, 2008, respectively. Our International Automotive Finance operations experienced lower commercial asset levels due to decreased GM sales volume and the wind-down of operations in several countries. Operating lease revenue (along with the related depreciation expense) decreased in both periods because new lease originations significantly declined due to our strategic decision in late 2008 to significantly curtail leasing. This decision was based on the continued credit market dislocation and the significant decline in used vehicle prices. Interest and dividend income decreased 43% for both the three months and nine months ended September 30, 2009, primarily due to lower intercompany income resulting from a decline in intercompany-lending activity, reduced interest related to hedging activity, and lower interest revenue from GM as a result of lower GM sales within our International Automotive Finance operations.

Interest expense decreased 46% and 38% for the three months and nine months ended September 30, 2009, respectively, compared to the same periods in 2008. The decreases were driven by reductions in the average balance of interest-bearing liabilities consistent with a lower asset base, lower interest rates, and favorable net derivative activity.

No impairment of investment in operating leases was recognized in 2009. The $93 million and $808 million impairment recognized by our North American Automotive Finance operations for the three months and nine months ended September 30, 2008, respectively, resulted from sharp declines in demand and used vehicle sale prices for sport-utility vehicles and trucks in the United States and Canada, which affected vehicle remarketing proceeds.

Servicing fees decreased 21% and 18% for the three months and nine months ended September 30, 2009, respectively, compared to the same periods in 2008. The decreases in servicing fees during both periods related to declines in the serviced asset base primarily resulting from the runoff of the serviced lease portfolio and the curtailment of lease originations.

We experienced a net loss on automotive loans of $33 million and a net gain of $116 million for the three months and nine months ended September 30, 2009, respectively, compared to a net gain of $163 million and $274 million for the same periods in 2008. The decreases for both periods were primarily the result of higher gains in 2008 on certain fixed pricing arrangements in previously established flow agreements compared to 2009. Additionally, the nine months ended September 30, 2009, were impacted by lower whole loan sales volume as compared to 2008.

Other gain on investments was $158 million and $271 million for the three months and nine months ended September 30, 2009, respectively, compared to losses of $107 million and $167 million during the same periods in 2008. The increases during the three months and nine months ended September 30, 2009, were primarily due to favorable mark-to-market adjustments on retained interests in securitization trusts as a result of narrowing credit spreads. Additionally, unfavorable results in 2008 were driven by realized losses on investment security sales and other-than-temporary impairments taken in the later half of 2008.

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Other income was $204 million and $539 million for the three months and nine months ended September 30, 2009, respectively, compared to $159 million and $724 million for the same periods in 2008. The increase during the three months ended September 30, 2009, was primarily due to favorable mark-to-market adjustments on derivatives within our International Automotive Finance operations. Other income for the nine months ended September 30, 2009, decreased due to unfavorable mark-to-market adjustments on derivatives within our North American Automotive Finance operations, a decrease in other securitization-related income, and decreases in full-service leasing fees as a result of asset runoff.

The provision for loan losses decreased 65% and 54% for the three months and nine months ended September 30, 2009, respectively, compared to the three months and nine months ended September 30, 2008. The decreases during both periods were due primarily to a declining asset base and decreases in the provision for retail balloon contracts primarily as a result of a strengthening used vehicle market and portfolio runoff as this product was curtailed in September 2008. A lower supply of used vehicles has resulted in increased residual values in the related portfolios resulting in lower provision for loan losses. Additionally, we experienced lower commercial provisions during the three months and nine months ended September 30, 2009, compared to the same periods in 2008, due to our decision to exit funding relationships with certain high-risk dealers.

Goodwill impairment of $14 million was recognized during the three months and nine months ended September 30, 2008, for our North American Automotive Finance operations as a result of our annual assessment. No such impairment was recognized in 2009.

Other noninterest expense increased 3% and decreased 6% for the three months and nine months ended September 30, 2009, respectively, compared to the same periods in 2008. The three months ended September 30, 2009, increased primarily as a result of higher corporate overhead expense allocations. This expense increase was more than offset during the nine months ended September 30, 2009, by favorable remarketing results, lower compensation and benefits expenses due to reduction of headcount resulting from restructuring efforts, and lower full-service leasing costs.

Our Global Automotive Finance operations experienced income tax expense of $64 million and $1.1 billion for the three months and nine months ended September 30, 2009, respectively, compared to income tax benefits of $97 million and $56 million for the three months and nine months ended September 30, 2008, respectively. The increase in tax expense for the three months ended September 30, 2009, was primarily due to higher pretax income and the change in effective tax rates resulting from our conversion to a corporation. The increase for the nine months ended was primarily due to the conversion of GMAC from a limited liability company into a corporation effective June 30, 2009. Due to our change in tax status, as of June 30, 2009, a net deferred tax liability of $1.1 billion was established through income tax expense. Refer to Note 14 to the Condensed Consolidated Financial Statements for additional information regarding our change in tax status.

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Automotive Financing Volume

The following tables summarize our new and used vehicle consumer and wholesale financing volume and our share of GM consumer and wholesale volume.

Three months ended September 30, *(units in thousands)*	GMAC consumer automotive financing volume		% Share of GM retail sales	
	2009	2008	**2009**	2008
Consumer financing				
GM new vehicles				
North America				
Retail contracts	**159**	226	**32**	34
Leases	**1**	53		8
Total North America	**160**	279	**32**	42
International (retail contracts and leases)	**91**	127	**17**	25
Total GM new units financed	**251**	406	**24**	34
Used units financed	**46**	122		
Non-GM new units financed				
Chrysler new units financed	**25**	2		
Other non-GM units financed	**14**	23		
Total non-GM new units financed	**39**	25		
Total consumer automotive financing volume	**336**	553		

Nine months ended September 30, *(units in thousands)*	GMAC consumer automotive financing volume		% Share of GM retail sales	
	2009	2008	**2009**	2008
Consumer financing				
GM new vehicles				
North America				
Retail contracts	**349**	589	**26**	30
Leases	**1**	307		15
Total North America	**350**	896	**26**	45
International (retail contracts and leases)	**264**	426	**17**	25
Total GM new units financed	**614**	1,322	**21**	36
Used units financed	**108**	402		
Non-GM new units financed				
Chrysler new units financed	**33**	7		
Other non-GM units financed	**29**	79		

Total non-GM new units financed	**62**	86
Total consumer automotive financing volume	**784**	1,810

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Our consumer automotive financing volume and penetration levels are significantly influenced by the nature, timing, and extent of GM s use of rate, residual, and other financing incentives for marketing purposes on consumer retail automotive contracts and leases. Financing volume for our Global Automotive Finance operations was lower in 2009 compared to 2008 due to historically low industry sales resulting from the general economic recession, the mix of GM incentive programs, and the significant curtailment of new lease originations in 2009. GM penetration levels were lower in 2009 compared to 2008 due to decreased retail originations primarily related to the wind-down of operations in several countries within our International operations, higher pricing, and tighter underwriting standards in an effort to align our originations to levels consistent with reduced funding sources as a result of the disruption in the capital markets.

	GMAC wholesale volume		% Share of GM retail sales	
Three months ended September 30, *(units in thousands)*	**2009**	2008	**2009**	2008
Wholesale financing				
GM new vehicles				
North America	**357**	640	**73**	78
International	**640**	695	**80**	83
Total GM units financed	**997**	1,335	**77**	80
Non-GM units financed				
Chrysler new units financed	67	2		
Other non-GM units financed	27	49		
Total non-GM units financed	**94**	51		
Total wholesale volume	**1,091**	1,386		

	GMAC wholesale volume		% Share of GM retail sales	
Nine months ended September 30, *(units in thousands)*	**2009**	2008	**2009**	2008
Wholesale financing				
GM new vehicles				
North America	**912**	1,928	**74**	77
International	**1,867**	2,254	**83**	84
Total GM units financed	**2,779**	4,182	**80**	80
Non-GM units financed				
Chrysler new units financed	**86**	6		
Other non-GM units financed	**88**	149		
Total non-GM units financed	**174**	155		
Total wholesale volume	**2,953**	4,337		

Our wholesale automotive financing continued to be the primary funding source for GM-dealer inventories. Wholesale financing volume decreased during 2009 compared to 2008, primarily because of lower GM production levels resulting from decreased industry sales. Penetration levels decreased for the three months ended September 30, 2009, compared to the same periods in 2008. The decrease within our North American Automotive Finance operations was primarily due to tighter underwriting standards and lower industry sales. Additionally, our International operations experienced a slight decrease in penetration levels during the third quarter of 2009 primarily due to the wind-down of

operations in several countries. Penetration levels remained relatively flat for the nine months ended September 30, 2009.

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Allowance for Loan Losses

The following tables summarize activity related to the allowance for loan losses for our Global Automotive Finance operations.

	Three months ended September 30,					
	2009			2008		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Balance at July 1,	**$1,174**	**$ 219**	**$1,393**	$1,280	$ 74	$1,354
Provision for loan losses (a)	**153**	**2**	**155**	376	61	437
Charge-offs						
Domestic	**(277)**	**(20)**	**(297)**	(229)	(2)	(231)
Foreign	**(139)**	**(6)**	**(145)**	(56)		(56)
Total charge-offs	**(416)**	**(26)**	**(442)**	(285)	(2)	(287)
Recoveries						
Domestic	**46**	**2**	**48**	36		36
Foreign	**20**		**20**	18		18
Total recoveries	**66**	**2**	**68**	54		54
Net charge-offs	**(350)**	**(24)**	**(374)**	(231)	(2)	(233)
Other	**(3)**	**9**	**6**	(33)	(4)	(37)
Balance at September 30,	**$ 974**	**$ 206**	**$1,180**	$1,392	$ 129	$1,521
Allowance coverage (b)	**3.10%**	**0.76%**	**2.01%**	3.24%	0.43%	2.08%

(a) Provision for loan losses include amounts related to balloon finance contracts of $(21) million and $240 million for the three months ended September 30, 2009 and 2008, respectively, which primarily represent residual loss exposure.

(b) Represents the related allowance for loan losses as a percentage of total on-balance sheet automotive finance receivables and loans excluding loans held-for-sale.

	Nine months ended September 30,					
	2009			2008		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Balance at January 1,	**$ 1,394**	**$ 223**	**$ 1,617**	$1,309	$ 61	$1,370
Provision for loan losses (a)	**395**	**20**	**415**	832	76	908
Charge-offs						
Domestic	**(735)**	**(41)**	**(776)**	(734)	(7)	(741)
Foreign	**(270)**	**(9)**	**(279)**	(173)		(173)
Total charge-offs	**(1,005)**	**(50)**	**(1,055)**	(907)	(7)	(914)
Recoveries						
Domestic	**132**	**4**	**136**	122		122
Foreign	**49**	**5**	**54**	53	1	54
Total recoveries	**181**	**9**	**190**	175	1	176

Net charge-offs	**(824)**	**(41)**	**(865)**	(732)	(6)	(738)
Other	**9**	**4**	**13**	(17)	(2)	(19)
Balance at September 30,	**$ 974**	**$ 206**	**$ 1,180**	$1,392	$ 129	$1,521
Allowance coverage (b)	**3.10%**	**0.76%**	**2.01%**	3.24%	0.43%	2.08%

(a) Provision for loan losses includes amounts related to balloon finance contracts of $(163) million and $395 million for the nine months ended September 30, 2009 and 2008, respectively, which primarily represent residual loss exposure.

(b) Represents the related allowance for loan losses as a percentage of total on-balance sheet automotive finance receivables and loans excluding loans held-for-sale

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The following table summarizes the allocation of the allowance for loan losses by product type for our Global Automotive Finance operations.

	September 30, 2009			September 30, 2008		
($ in millions)	**Allowance for loan losses**	**Allowance as a % of total asset class (a)**	**Allowance as a % of total allowance**	Allowance for loan losses	Allowance as a % of total asset class (a)	Allowance as a % of total allowance
Consumer						
Domestic						
Retail automotive loans	**$ 555**	**1.77**	**47.02**	$ 714	1.66	46.94
Retail balloon contracts	**152**	**0.48**	**12.88**	382	0.89	25.11
Foreign	**267**	**0.85**	**22.63**	296	0.69	19.45
Total consumer	**$ 974**	**3.10**	**82.53**	$ 1,392	3.24	91.50
Commercial						
Domestic						
Wholesale loans	**$ 76**	**0.28**	**6.44**	$ 80	0.27	5.26
Automotive leases	**5**	**0.02**	**0.42**	5	0.01	0.35
Automotive term loans	**68**	**0.25**	**5.78**	6	0.02	0.39
Foreign	**57**	**0.21**	**4.83**	38	0.13	2.50
Total commercial	**$ 206**	**0.76**	**17.47**	$ 129	0.43	8.50
Allowance for loan losses	**$ 1,180**	**2.01**	**100.00**	$ 1,521	2.08	100.00

(a) Represents the related allowance for loan losses as a percentage of total on-balance sheet automotive finance receivables and loans excluding loans held-for-sale.

The allowance for consumer loan losses at September 30, 2009, decreased compared to September 30, 2008, primarily due to a declining asset base and decreases in the allowance related to retail balloon contracts due to the strengthening of the used vehicle market and portfolio runoff because this product was curtailed in September 2008. Additionally, the allowance for loan losses as a percentage of the total on-balance sheet consumer portfolio decreased in comparison with 2008 levels, primarily driven by the decline in the allowance related to retail balloon contracts. This impact was partially offset by sustained unemployment and adverse market trends, which are contributing to higher delinquencies and consequently higher frequency of loss on our nonprime automotive financing portfolio.

The allowance for commercial loan losses increased at September 30, 2009, compared to September 30, 2008, primarily due to economic pressures placed on dealers as a result of the GM bankruptcy, declining sales volume, a weakening financial position, and a challenging credit environment.

Consumer Credit

Loan losses in our consumer automotive retail contract and lease portfolio are influenced by general business and economic conditions, including unemployment rates, bankruptcy filings, and used vehicle prices. We analyze loan losses according to frequency (i.e., the number of contracts that are ultimately charged off) and severity (i.e., the dollar magnitude of loss per charge-off occurrence). We manage credit risk through our contract purchase policy, credit approval process (including our proprietary credit scoring system), and servicing capabilities.

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The following tables summarize pertinent loss experience in the consumer managed and on-balance sheet automotive retail contract portfolios. The managed portfolio represents finance receivables and loans, net of unearned income, and loans held-for-sale on the balance sheet and finance receivables and loans that have been securitized and sold, excluding securitized finance receivables and loans that we continue to service but in which we retain no interest or risk of loss. We believe that the disclosure of the credit experience of the managed portfolio presents a more complete presentation of our risk of loss in the underlying assets (typically in the form of a subordinated retained interest). Consistent with the presentation on our Condensed Consolidated Balance Sheet, retail contracts presented in the tables below represent the principal balance of the finance receivables discounted for any unearned interest income and rate support received from GM.

	Average retail contracts		Loss experience, net of recoveries (a) (b)		Annualized net % rate	
Three months ended September 30, *($ in millions)*	**2009**	2008	**2009**	2008	**2009**	2008
Managed						
North America	**$ 35,166**	$ 46,957	**$291**	$223	**3.31**	1.90
International	**13,601**	19,029	**110**	33	**3.22**	0.70
Total managed	**$ 48,767**	$ 65,986	**$401**	$256	**3.29**	1.56
On-balance sheet						
North America	**$ 25,301**	$ 31,556	**$237**	$165	**3.74**	2.09
International	**13,601**	19,029	**110**	33	**3.22**	0.70
Total on-balance sheet	**$ 38,902**	$ 50,585	**$347**	$198	**3.56**	1.58

(a) Loss experience includes charge-offs (which is a component of the allowance for loan losses) on our on-balance sheet held-for-investment loan portfolio, valuation adjustments (which are included in gain (loss) on automotive loans) on our loan held-for-sale portfolio, and losses (which are included in noninterest expense) on securitized finance receivables.

(b) Excludes amounts related to residual losses on balloon finance contracts. The amounts totaled $29 million and $74 million for the periods ended September 30, 2009 and 2008, respectively.

	Average retail contracts		Loss experience, net of recoveries (a) (b)		Annualized net % rate	
Nine months ended September 30, *($ in millions)*	**2009**	2008	**2009**	2008	**2009**	2008
Managed						
North America	**$ 35,962**	$ 48,585	**$791**	$624	**2.93**	1.71
International	**13,928**	19,138	**198**	104	**1.90**	0.72
Total managed	**$ 49,890**	$ 67,723	**$989**	$728	**2.64**	1.44
On-balance sheet						
North America	**$ 25,156**	$ 33,916	**$588**	$484	**3.11**	1.90
International	**13,928**	19,138	**198**	104	**1.90**	0.72
Total on-balance sheet	**$ 39,084**	$ 53,054	**$786**	$588	**2.68**	1.48

(a) Loss experience includes charge-offs (which is a component of the allowance for loan losses) on our on-balance sheet held-for-investment loan portfolio, valuation adjustments (which are included in gain (loss) on automotive loans) on our loan held-for-sale portfolio, and losses (which are included in noninterest expense) on securitized finance receivables.

(b) Excludes amounts related to residual losses on balloon finance contracts. The amounts totaled $139 million and $258 million for the periods ended September 30, 2009 and 2008, respectively.

Loss experience in both the North American and International managed portfolios increased during the three months and nine months ended September 30, 2009, compared to the same periods in 2008. In North America, frequency of loss increased compared to prior year levels mainly due to overall weaker economic conditions partially offset by a reduction in severity of losses due to improvement in values of used vehicle

prices in comparison with the same period in 2008. Additionally, during the third quarter of 2009, we changed our charge-off policy to write down retail automotive loans to estimated collateral value, less costs to sell, once a loan becomes 120 days past due resulting in the recognition of $134 million in incremental charge-offs during the quarter for our Global Automotive Finance operations. Refer to Note 6 to the Condensed Consolidated Statements for additional information related to our policy change.

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The following table summarizes pertinent delinquency experience in the consumer automotive retail contract portfolio.

	% of retail contracts more than 30 days past due (a)			
	Managed		On-balance sheet	
September 30,	**2009**	2008	**2009**	2008
North America	**4.36**	2.90	**4.50**	3.08
International	**2.85**	2.57	**2.85**	2.57
Total	**3.76**	2.77	**3.70**	2.84

(a) Past due contracts are calculated on the basis of the average number of contracts delinquent during the month of September and exclude accounts in bankruptcy.

Delinquency rates increased in all portfolios as of September 30, 2009, compared to September 30, 2008. This is primarily attributable to weaker economic conditions, particularly in North America, Spain, and Latin America, and a smaller asset base, particularly in North America and Latin America. As a result of the increased delinquencies, we expanded resources dedicated to servicing and collection efforts.

In addition to the preceding loss and delinquency data, the following tables summarize bankruptcy information for the U.S. consumer automotive retail contract portfolio (which represented approximately 52% and 49% of our total global on-balance sheet consumer automotive retail contract portfolio as of September 30, 2009 and 2008, respectively) and repossession information for the Global Automotive Finance operations consumer automotive retail contract portfolio.

	Managed		On-balance sheet	
Three months ended September 30,	**2009**	2008	**2009**	2008
United States				
Average retail contracts in bankruptcy *(in units)* (a)	**41,488**	48,279	**30,060**	39,998
Bankruptcies as a percentage of average number of contracts outstanding	**2.22%**	1.97%	**2.56%**	2.63%
North America				
Retail contract repossessions *(in units)*	**21,014**	19,665	**15,328**	14,049
Annualized repossessions as a percentage of average number of contracts outstanding	**3.61%**	2.65%	**3.82%**	2.86%
International				
Retail contract repossessions *(in units)*	**2,781**	2,957	**2,781**	2,957
Annualized repossessions as a percentage of average number of contracts outstanding	**0.74%**	0.69%	**0.74%**	0.69%

(a) Includes those accounts where the customer has filed for bankruptcy and is not yet discharged, the customer was discharged from bankruptcy but did not reaffirm their loan with GMAC, and other special situations where the customer is protected by applicable law with respect to GMAC s normal collection policies and procedures.

	Managed		On-balance sheet	
Nine months ended September 30,	**2009**	2008	**2009**	2008
United States				
Average retail contracts in bankruptcy *(in units)* (a)	**44,469**	49,784	**33,327**	43,154
Bankruptcies as a percentage of average number of contracts outstanding	**2.27%**	1.95%	**2.74%**	2.59%

North America				
Retail contract repossessions *(in units)*	**63,362**	58,883	**44,923**	43,783
Annualized repossessions as a percentage of average number of contracts outstanding	**3.50%**	2.57%	**3.65%**	2.81%
International				
Retail contract repossessions *(in units)*	**9,856**	8,788	**9,856**	8,788
Annualized repossessions as a percentage of average number of contracts outstanding	**0.84%**	0.69%	**0.84%**	0.69%

(a) Includes those accounts where the customer has filed for bankruptcy and is not yet discharged, the customer was discharged from bankruptcy but did not reaffirm their loan with GMAC, and other special situations where the customer is protected by applicable law with respect to GMAC s normal collection policies and procedures.

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The number of bankruptcies as a percentage of the average number of managed U.S. retail contracts outstanding increased due to more consumers experiencing hardships during the economic recession. The number of average retail contracts in bankruptcy has declined consistent with the decline in the size of the U.S. retail portfolio.

Consistent with the increase in delinquency trends, our North America and International operations experienced increased repossessions as a percentage of average contracts for the nine months ended September 30, 2009, compared to the same period in 2008. The increase was primarily attributable to the impact of weak economic conditions on our consumer contracts.

Commercial Credit

The credit risk of our commercial portfolio is tied to overall economic conditions in the countries in which we operate and the particular circumstances of individual borrowers.

The following table presents the on-balance sheet commercial portfolio credit experience.

	Total loans		**Impaired loans (a)**	
($ in millions)	**September 30, 2009**	December 31, 2008	**September 30, 2009**	December 31, 2008
Wholesale	**$23,587**	$24,129	**$1,060**	$1,312
Impaired wholesale loans as a percentage of total wholesale loans			**4.49%**	5.44%
Other commercial financing	**3,708**	3,986	**401**	248
Impaired other commercial financing loans as a percentage of total other commercial financing loans			**10.81%**	6.22%
Total on-balance sheet	**$27,295**	$28,115	**$1,461**	$1,560
Impaired loans as a percentage of total loans			**5.35%**	5.55%

(a) Includes loans where it is probable that we will be unable to collect all amounts due according to the terms of the loan. Impaired loans decreased as of September 30, 2009, compared to December 31, 2008, primarily due to overall lower dealer inventory levels. Additionally, our asset base is smaller compared to 2008. These receivables are generally secured by vehicles, real estate, other forms of collateral, and certain GM repurchase obligations, which help mitigate losses on these loans in the event of default.

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On May 21, 2009, GMAC entered into a Master Transaction Agreement (MTA) with Chrysler, U.S. Dealer Automotive Receivables Transition LLC, a wholly owned subsidiary of GMAC, and the U.S. Department of the Treasury. The MTA covers reimbursement of certain qualifying losses that may be incurred in connection with certain wholesale loans during a transition period that allows time for GMAC to evaluate the creditworthiness of each Chrysler dealer. To be eligible for reimbursement of qualifying losses under the MTA, a loan must have been, among other things, funded by GMAC or its subsidiaries during the period commencing on May 21, 2009, and ending on November 21, 2009. In addition, in order to be eligible, a loan must be made to a dealer that was formerly financed by Chrysler Financial Services Americas LLC. Following the sale of Chrysler to Fiat S.p.A. on June 10, 2009, loans funded to dealers for which there is a valid and enforceable repurchase agreement with Chrysler are no longer eligible for reimbursement of qualifying losses subject to certain exceptions.

The maximum amount of reimbursement related to qualifying losses under the MTA is limited to the lesser of (1) $450 million or (2) 90% of the aggregate principal amount of all qualifying dealer loans outstanding as of June 10, 2009. The MTA will terminate on May 21, 2013. As of September 30, 2009, the principal balance of qualifying dealer loans was approximately $3.7 billion. GMAC has not incurred any significant qualifying losses on qualifying loans under the MTA as of September 30, 2009.

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Mortgage Operations

Results of Operations

The following table summarizes the operating results for our Mortgage operations for the periods shown. Our Mortgage operations include the ResCap LLC legal entity, the mortgage operations of Ally Bank, and the Canadian mortgage operations of ResMor Trust. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

	Three months ended September 30,			Nine months ended September 30,		
($ in millions)	**2009**	2008	**Favorable/ (unfavorable) % change**	**2009**	2008	**Favorable/ (unfavorable) % change**
Revenue						
Total financing revenue and other interest income	**$ 570**	$ 862	**(34)**	**$ 1,741**	$ 3,054	**(43)**
Interest expense	**450**	824	**45**	**1,480**	2,844	**48**
Net financing revenue	**120**	38	**n/m**	**261**	210	**24**
Servicing fees	**328**	369	**(11)**	**1,010**	1,154	**(12)**
Servicing asset valuation and hedge activities, net	**(110)**	(261)	**58**	**(710)**	(36)	**n/m**
Net servicing income	**218**	108	**102**	**300**	1,118	**(73)**
Gain (loss) on mortgage loans, net	**227**	(138)	**n/m**	**19**	(1,948)	**101**
Gain on extinguishment of debt		23	**(100)**	**4**	1,119	**(100)**
Other income, net of losses	**20**	(187)	**111**	**(424)**	(1,262)	**66**
Total other revenue (expense)	**465**	(194)	**n/m**	**(101)**	(973)	**90**
Total net revenue (loss)	**585**	(156)	**n/m**	**160**	(763)	**121**
Provision for loan losses	**349**	652	**46**	**1,915**	1,414	**(35)**
Noninterest expense	**983**	1,141	**14**	**2,174**	2,438	**11**
Loss before income tax (benefit) expense	**(747)**	(1,949)				