GMAC LLC
Form 10-Q
November 07, 2007

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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, 2007, or

o **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 LLC
(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)

(313) 556-5000
(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 requirements for the past 90 days.
Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a nonaccelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act). (Check one):
Large accelerated filer o Accelerated filer o Nonaccelerated filer þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

GMAC LLC

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Amendment No. 2 to the Amended and Restated Limited Liability Company Operating Agreement
Amendment No. 3 to the Amended and Restated Limited Liability Company Operating Agreement
Computation of Ratio of Earnings to Fixed Charges
Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)
Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)
Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 1350

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

GMAC LLC

CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

($ in millions)	Three months ended September 30, 2007	Three months ended September 30, 2006 (As restated see Note 1)	Nine months ended September 30, 2007	Nine months ended September 30, 2006 (As restated see Note 1)
Revenue				
Consumer	**$2,432**	$2,631	**$7,398**	$7,787
Commercial	**750**	802	**2,227**	2,311
Loans held for sale	**307**	419	**1,182**	1,270
Operating leases	**1,892**	2,080	**5,187**	6,034
Total financing revenue	**5,381**	5,932	**15,994**	17,402
Interest expense	**3,715**	3,899	**11,122**	11,734
Net financing revenue before provision for credit losses	**1,666**	2,033	**4,872**	5,668
Provision for credit losses	**964**	503	**2,075**	937
Net financing revenue	**702**	1,530	**2,797**	4,731
Servicing fees	**548**	459	**1,664**	1,377
Amortization and impairment of servicing rights				(23)
Servicing asset valuation and hedge activities, net	**(123)**	(331)	**(578)**	(688)
Net loan servicing income	**425**	128	**1,086**	666
Insurance premiums and service revenue earned	**1,143**	1,045	**3,235**	3,107
(Loss) gain on sale of mortgage and automotive loans, net	**(320)**	352	**42**	1,220
Investment income	**13**	525	**548**	1,079
Gain on sale of equity method investments, net				411
Other income	**602**	965	**2,255**	2,952
Total net financing revenue and other income	**2,565**	4,545	**9,963**	14,166

Expense				
Depreciation expense on operating lease assets	**1,276**	1,400	**3,530**	4,185
Compensation and benefits expense	**628**	613	**1,910**	1,996
Insurance losses and loss adjustment expenses	**659**	580	**1,795**	1,830
Other operating expenses	**1,211**	1,102	**3,640**	3,439
Impairment of goodwill and other intangible assets	**455**	840	**455**	840
Total noninterest expense	**4,229**	4,535	**11,330**	12,290
Income (loss) before income tax (benefit) expense	**(1,664)**	10	**(1,367)**	1,876
Income tax (benefit) expense	**(68)**	183	**241**	766
Net income (loss)	**($1,596)**	($173)	**($1,608)**	$1,110
Preferred interests dividends	**(53)**		**(157)**	
Net income (loss) available to members	**($1,649)**		**($1,765)**	

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

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CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

($ in millions)	**September 30, 2007**	December 31, 2006
Assets		
Cash and cash equivalents	**$23,923**	$15,459
Investment securities	**18,539**	16,791
Loans held for sale	**23,992**	27,718
Finance receivables and loans, net of unearned income		
Consumer	**106,542**	130,542
Commercial	**40,558**	43,904
Allowance for credit losses	**(3,488)**	(3,576)
Total finance receivables and loans, net	**143,612**	170,870
Investment in operating leases, net	**31,300**	24,184
Notes receivable from General Motors	**2,112**	1,975
Mortgage servicing rights	**5,547**	4,930
Premiums and other insurance receivables	**2,183**	2,016
Other assets	**27,570**	23,496
Total assets	**$278,778**	$287,439
Liabilities		
Debt		
Unsecured	**$106,828**	$113,500
Secured	**114,272**	123,485
Total debt	**221,100**	236,985
Interest payable	**2,191**	2,592
Unearned insurance premiums and service revenue	**5,115**	5,002
Reserves for insurance losses and loss adjustment expenses	**3,129**	2,630
Accrued expenses and other liabilities	**29,971**	22,659
Deferred income taxes	**1,008**	1,007
Total liabilities	**262,514**	270,875
Preferred interests	**2,226**	2,195
Equity		
Members interest	**7,746**	6,711
Retained earnings	**5,408**	7,173
Accumulated other comprehensive income	**884**	485

Total equity	**14,038**	14,369
Total liabilities, preferred interests and equity	**$278,778**	$287,439

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)
Nine Months Ended September 30, 2007 and 2006

($ in millions)	**Common stock and paid-in capital**	**Members interest**	**Retained earnings**	**Accumulated other comprehensive income**	**Total equity**	**Comprehensive income (loss)**
Balance at January 1, 2006 (As restated, see Note 1)	$5,760	$	$15,095	$830	$21,685	
Conversion of common stock to member s interest on July 20, 2006	(5,760)	5,760				
Net income			1,110		1,110	$1,110
Cumulative effect of a change in accounting principle, net of tax:						
Transfer of unrealized loss for certain available for sale securities to trading securities			(17)	17		
Recognize mortgage servicing rights at fair value			4		4	4
Dividends paid			(1,950)		(1,950)	
Other comprehensive income				75	75	75
Balance at September 30, 2006 (As restated, see Note 1)	$	$5,760	$14,242	$922	$20,924	$1,189
Balance at January 1, 2007	**$**	**$6,711**	**$7,173**	**$485**	**$14,369**	
Net loss			**(1,608)**		**(1,608)**	**($1,608)**
Preferred interest dividends			**(157)**		**(157)**	
Capital contributions		**1,035**			**1,035**	
Other comprehensive income				**399**	**399**	**399**
Balance at September 30, 2007	**$**	**$7,746**	**$5,408**	**$884**	**$14,038**	**($1,209)**

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
Nine Months Ended September 30, 2007 and 2006

($ in millions)	**2007**	2006
Operating activities		
Net cash provided by (used in) operating activities	**$5,431**	($12,526)
Investing activities		
Purchases of available for sale securities	**(12,427)**	(10,423)
Proceeds from sales of available for sale securities	**5,065**	3,242
Proceeds from maturities of available for sale securities	**6,107**	6,508
Net increase in finance receivables and loans	**(44,608)**	(75,345)
Proceeds from sales of finance receivables and loans	**65,700**	88,724
Purchases of operating lease assets	**(13,305)**	(13,538)
Disposals of operating lease assets	**3,878**	5,266
Net increase in notes receivable from General Motors	**(96)**	(322)
Purchases of mortgage servicing rights, net		(66)
Acquisitions of subsidiaries, net of cash acquired	**(289)**	(324)
Proceeds from sale of business units, net of cash (a)		8,556
Settlement of residual support and risk sharing obligations with GM		1,074
Other, net (b)	**1,451**	4
Net cash provided by investing activities	**11,476**	13,356
Financing activities		
Net change in short-term debt	**(8,459)**	1,450
Proceeds from issuance of long-term debt	**60,870**	66,000
Repayments of long-term debt	**(65,999)**	(76,043)
Other financing activities (c)	**5,450**	2,931
Dividends paid	**(126)**	(1,900)
Net cash used in financing activities	**(8,264)**	(7,562)
Effect of exchange rate changes on cash and cash equivalents	**(179)**	61
Net increase (decrease) in cash and cash equivalents	**8,464**	(6,671)
Cash and cash equivalents at beginning of year	**15,459**	15,796

Cash and cash equivalents at September 30,	**$23,923**	$9,125

(a) Includes proceeds from March 23, 2006, sale of GMAC Commercial Mortgage of approximately $1.5 billion and proceeds from repayment of intercompany loans of approximately $7.3 billion of which $250 million was received in preferred equity and net of cash transferred to purchaser of approximately $650 million.

(b) Includes $1.2 billion and $570 million for the nine months ended September 30, 2007 and 2006, respectively, related to securities lending transactions where cash collateral is received and a corresponding liability is recorded, both of which are presented in investing activities.

(c) Includes $1 billion capital contribution from General Motors during the nine months ended September 30, 2007, pursuant to the terms of General Motors November 30, 2006, sale of a 51% interest in GMAC to FIM Holdings LLC.

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of Presentation

GMAC LLC (referred to herein as GMAC, we, our, or us) was founded in 1919 as a wholly owned subsidiary of General Motors Corporation (General Motors or GM). On November 30, 2006, GM sold a 51% interest in us for approximately $7.4 billion (the Sale Transactions) to FIM Holdings LLC (FIM Holdings). FIM Holdings is an investment consortium led by Cerberus FIM Investors, LLC, the sole managing member. The consortium also includes Citigroup Inc., Aozora Bank Ltd., and a subsidiary of The PNC Financial Services Group, Inc.

The Condensed Consolidated Financial Statements as of September 30, 2007, and for the three months and nine months ended September 30, 2007 and 2006, are unaudited but, in management s opinion, include all adjustments consisting of normal recurring adjustments necessary for a fair presentation of the results for the interim periods.

The interim-period consolidated financial statements, including the related notes, are condensed and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim reporting. 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, 2006, filed with the United States Securities and Exchange Commission (SEC) on March 13, 2007.

Restatement of Previously Issued Condensed Consolidated Financial Statements

As discussed in our 2006 Form 10-K and Note 2 to these Condensed Consolidated Financial Statements, we restated our historical Condensed Consolidated Balance Sheet as of September 30, 2006; our Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2006; and our Condensed Consolidated Statement of Changes in Equity for the nine months ended September 30, 2006. This restatement relates to the accounting treatment for certain hedging transactions under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended and interpreted (SFAS 133). We also corrected certain other out-of-period errors that were deemed immaterial, individually and in the aggregate, in the periods in which they were originally recorded and identified. These items relate to transactions involving certain transfers of financial assets, valuations of certain financial instruments, amortization of unearned income on certain products, income taxes, and other inconsequential items. Because of this derivative restatement, we corrected these amounts to record them in the proper period.

Share-Based Compensation Plans

During the fourth quarter of 2006, the Compensation Committee approved two, new, shared-based compensation plans for executives, a Long-Term Phantom Interest Plan (LTIP) and a Management Profits Interest Plan (MPI). These compensation plans provide our executives with an opportunity to share in the future growth in value of GMAC. While the plans were formed in 2006, no grants were made until the first quarter of 2007.

The LTIP is an incentive plan for executives based on the appreciation of GMAC s value in excess of a preferred return of 10% to certain of our investors during a three-year performance period. The awards vest at the end of the performance period and are paid in cash following a valuation of GMAC performed by FIM Holdings. The awards do

not entitle the participant to an equity-ownership interest in GMAC. The plan authorizes 500 units to be granted for the performance period ending December 31, 2009, of which approximately 390 units were granted and outstanding at September 30, 2007. The LTIP awards are accounted for under SFAS No. 123(R), *Share-Based Payment* (SFAS 123(R)), as they meet the definition of share-based compensation awards. Under SFAS 123(R), the awards require liability treatment and are remeasured quarterly

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at fair value until they are settled. The compensation cost related to these awards will be ratably charged to expense over the requisite service period, which is the vesting period ending December 31, 2009. The quarterly fair value remeasurement will encompass changes in the market and industry, as well as our latest forecasts for the performance period. Changes in fair value relating to the portion of the awards that have vested will be recognized in earnings in the period in which the changes occur. The fair value of the awards outstanding at September 30, 2007, was approximately $46 million of which $4 million and $10 million were recognized as expense during the three months and nine months ended September 30, 2007, respectively.

The MPI is an incentive plan whereby Class C Membership interests in GMAC held by a management company are granted to senior executives. The total Class C Membership interests are 5,820 of which approximately 4,800 were outstanding at September 30, 2007. Half of the awards vest based on a service requirement, and half vest based on meeting operating performance objectives. The service portion vests ratably over five years beginning January 3, 2008, and on each of the next four anniversaries thereafter. The performance portion vests based on five separate annual targets. If the performance objectives are met, that year s pro rata share of the awards vest. If the current year objectives are not met, but the annual performance objectives of a subsequent year are met, all unvested shares from previous years will vest. Any unvested awards as of December 31, 2011, shall be forfeited. The MPI awards are accounted for under SFAS 123(R) as they meet the definition of share-based compensation awards. Under SFAS 123(R), the awards require equity treatment and are fair valued as of their grant date using assumptions such as our forecasts, historical trends, and the overall industry and market environment. Compensation expense for the MPI shares is ratably charged to expense over the five-year requisite service period for service-based awards and over each one-year requisite service period for the performance-based awards, both to the extent the awards actually vest. The fair market value of the awards outstanding at September 30, 2007, was approximately $25 million of which $1 million and $3 million were recognized as expense during the three months and nine months ended September 30, 2007, respectively.

Change in Accounting Principle

Financial Accounting Standards Board (FASB) Interpretation No. 48 On January 1, 2007, we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which clarifies SFAS No. 109, *Accounting for Income Taxes,* by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. FIN 48 requires that the tax effects of a position be recognized only if it is more-likely-than-not to be sustained solely on its technical merits. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. The cumulative effect of applying FIN 48 was recorded directly to retained earnings and reported as a change in accounting principle. The adoption of this interpretation as of January 1, 2007, did not have a material impact on our consolidated financial position. Gross unrecognized tax benefits totaled approximately $126 million at January 1, 2007, of which approximately $124 million would affect our effective tax rate, if recognized.

We recognize interest and penalties accrued related to uncertain income tax positions in interest expense and other operating expenses, respectively. As of January 1, 2007, we had approximately $116 million accrued for the payment of interest and penalties.

There have been no significant changes to the liability for uncertain income tax positions since the adoption of FIN 48.

Effective November 28, 2006, GMAC, in connection with the Sale Transactions, along with certain U.S. subsidiaries, became disregarded or pass-through entities for U.S. federal income tax purposes. Our banking, insurance, and foreign subsidiaries are generally corporations and continue to be subject to and provide for U.S. federal, state and local, or foreign income taxes. With few exceptions, we are no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities for years before

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1999. We anticipate the Internal Revenue Service examination of our U.S. income tax returns for 2001 through 2003, along with examinations by various state and local jurisdictions, will be completed within twelve months. Therefore, it is possible that certain tax positions may be settled, and the unrecognized tax benefits would decrease by approximately $11 million over the next twelve months.

Recently Issued Accounting Standards

SFAS No. 157 In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), which 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, and therefore, does not expand the use of fair value in any new circumstance. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an arm s length transaction between market participants in the markets where we conduct business. SFAS 157 clarifies that 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 and the lowest priority to data lacking transparency. The level of the reliability of inputs utilized for fair value calculations drives the extent of disclosure requirements of the valuation methodologies used under the standard. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The provisions of SFAS 157 should be applied prospectively, except for certain financial instruments for which the standard should be applied retrospectively. Management is assessing the potential impact on our consolidated financial condition and results of operations.

SFAS No. 158 In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158), which amends SFAS No. 87, *Employers Accounting for Pensions;* SFAS No. 88, *Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits;* SFAS No. 106, *Employers Accounting for Postretirement Benefits Other Than Pensions;* and SFAS No. 132(R), *Employers Disclosures about Pensions and Other Postretirement Benefits* (revised 2003). This Statement requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements. The asset or liability is the offset to other accumulated comprehensive income, consisting of previously unrecognized prior service costs and credits, actuarial gains or losses, and accumulated transition obligations and assets. SFAS 158 also requires the measurement date for plan assets and liabilities to coincide with the sponsor s year end. The standard provides two transition alternatives for companies to make the measurement-date provisions. Our recognition of an asset or liability related to funded status provision is effective for the fiscal year ending December 31, 2007, and the change in measurement is effective for fiscal years ending after December 15, 2008. Adoption of this guidance is not expected to have a material impact on our consolidated financial condition or results of operations.

SFAS No. 159 In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure at fair value many financial instruments and certain other items that are not currently required to be measured at fair value. Subsequent changes in fair value for designated items will be required to be reported in earnings in the current period. SFAS 159 also establishes presentation and disclosure requirements for similar types of assets and liabilities measured at fair value.

SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently assessing the effect of implementing this guidance, which directly depends on the nature and extent of eligible items elected to be measured at fair value, upon initial application of the standard on January 1, 2008.

FASB Staff Position (FSP) FIN 39-1 In April 2007, the FASB issued FSP FIN 39-1, *Amendment of FASB Interpretation No. 39*. FSP FIN 39-1 defines right of setoff and specifies what conditions must be met

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for a derivative contract to qualify for this right of setoff. It also addresses the applicability of a right of setoff to derivative instruments and clarifies the circumstances in which it is appropriate to offset amounts recognized for those instruments in the statement of financial position. In addition, this FSP permits offsetting of fair value amounts recognized for multiple derivative instruments executed with the same counterparty under a master netting arrangement and fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from the same master netting arrangement as the derivative instruments. This interpretation is effective for fiscal years beginning after November 15, 2007, with early application permitted. The adoption of FSP FIN 39-1 is not expected to have a material impact on our consolidated financial condition or results of operations.

SEC Staff Accounting Bulletin No. 109 In November 2007, the SEC issued Staff Accounting Bulletin No. 109, *Written Loan Commitments Recorded at Fair Value Through Earnings* (SAB 109). SAB 109 provides the SEC staff s views on the accounting for written loan commitments recorded at fair value under GAAP and revises and rescinds portions of SAB 105, *Application of Accounting Principles to Loan Commitments* (SAB 105). SAB 105 provided the views of the SEC staff regarding derivative loan commitments that are accounted for at fair value through earnings pursuant to SFAS 133. SAB 105 states that in measuring the fair value of a derivative loan commitment, the staff believed it would be inappropriate to incorporate the expected net future cash flows related to the associated servicing of the loan. SAB 109 supersedes SAB 105 and expresses the current view of the SEC staff that, consistent with the guidance in SFAS No. 156, *Accounting for Servicing of Financial Assets*, and SFAS 159, the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. SAB 105 also indicated that the SEC staff believed that internally-developed intangible assets (such as customer relationship intangible assets) should not be recorded as part of the fair value of a derivative loan commitment. SAB 109 retains that SEC staff view and broadens its application to all written loan commitments that are accounted for at fair value through earnings.

The SEC staff expects registrants to apply the views of SAB 109 in measuring the fair value of derivative loan commitments on a prospective basis to derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. Management is assessing the potential impact on our consolidated financial condition and results of operations.

2. Restatement of Previously Issued Condensed Consolidated Financial Statements

As previously disclosed in our 2006 Annual Report on Form 10-K, subsequent to the issuance of our Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2006, management concluded that our hedge accounting documentation and hedge effectiveness assessment methodologies related to particular hedges of callable fixed-rate debt instruments funding our North American Automotive Finance operations did not satisfy the requirements of SFAS 133. One of the requirements of SFAS 133 is that hedge accounting is appropriate only for those hedging relationships for which a company has a sufficiently documented expectation that the relationships will be highly effective in achieving offsetting changes in fair values attributable to the risk being hedged at the inception of the hedging relationship. To determine whether transactions continue to satisfy this requirement, companies must periodically assess the effectiveness of hedging relationships both prospectively and retrospectively.

Management determined that hedge accounting treatment should not have been applied to these hedging relationships. As a result, we should not have recorded any adjustments on the debt instruments included in the hedging relationships related to changes in fair value due to movements in the designated benchmark interest rate. Accordingly, we have restated our historical Condensed Consolidated Balance Sheet at September 30, 2006; our Condensed Consolidated Statement of Income for the three and nine months ended September 30, 2006; and our Condensed Consolidated Statement of Changes in Equity for the nine months ended September 30, 2006, from the amounts previously reported to remove the recorded adjustments on these debt instruments from our reported interest expense during 2006. The elimination of hedge accounting

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treatment introduced increased funding cost volatility in our restated results. The changes in the fair value of fixed-rate debt previously recorded were affected by changes in the designated benchmark interest rate (LIBOR). Before the restatement, adjustments to record increases in the value of this debt occurred in periods when interest rates declined, and adjustments to record decreases in value were made in periods when interest rates rose. As a result, changes in the benchmark interest rates caused volatility in the debt s fair value adjustments that were recognized in our historical earnings, which were mitigated by the changes in the value of the interest rate swaps in the hedge relationships. The interest rate swaps, which economically hedged these debt instruments prior to May 1, 2007, were recorded at fair value with changes in fair value recorded in earnings. Refer to Note 8 to the Condensed Consolidated Financial Statements for accounting treatment beginning May 1, 2007. We are also correcting certain other out-of-period errors that were deemed immaterial, individually and in the aggregate, in the periods in which they were originally recorded and identified. These items relate to transactions involving certain transfers of financial assets, valuations of certain financial instruments, amortization of unearned income on certain products, income taxes, and other inconsequential items. Because of this derivative restatement, we are correcting these amounts to record them in the proper period.

The following table sets forth a reconciliation of previously reported to restated net income for the periods shown. The restatement decreased January 1, 2006, retained earnings to $15,095 million from $15,190 million. The decrease of $95 million was composed of a $191 million decrease for the elimination of hedge accounting for certain debt instruments and an increase of $96 million for other items previously deemed to be immaterial.

($ in millions)	Three months ended September 30, 2006	Nine months ended September 30, 2006
Previously reported net income (loss)	($324)	$1,248
Elimination of hedge accounting related to certain debt instruments	336	(47)
Other, net	(72)	(140)
Total pretax	264	(187)
Related income tax effects	(113)	49
Restated net income (loss)	($173)	$1,110
% change	47	(11)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the effects of the restatement on the Condensed Consolidated Statement of Income. Certain amounts in the previously reported columns have been reclassified to conform to the 2007 presentation. The most significant reclassifications relate to servicing fees; amortization and impairment of servicing rights; servicing asset valuation and hedge activities, net; and gain on sale of mortgage and automotive loans, which were previously included in mortgage banking income and other income and are now reflected as separate components of total net financing revenue and other income.

	Three months ended September 30, 2006		Nine months ended September 30, 2006	
($ in millions)	Previously reported	Restated	Previously reported	Restated
Revenue				
Consumer	**$2,647**	**$2,631**	**$7,760**	**$7,787**
Commercial	802	802	2,311	2,311
Loans held for sale	419	419	1,270	1,270
Operating leases	2,080	2,080	6,034	6,034
Total financing revenue	**5,948**	**5,932**	**17,375**	**17,402**
Interest expense	**4,257**	**3,899**	**11,637**	**11,734**
Net financing revenue before provision for credit losses	**1,691**	**2,033**	**5,738**	**5,668**
Provision for credit losses	**486**	**503**	**906**	**937**
Net financing revenue	**1,205**	**1,530**	**4,832**	**4,731**
Servicing fees	459	459	1,377	1,377
Amortization and impairment of servicing rights			(23)	(23)
Servicing asset valuation and hedge activities, net	(331)	(331)	(688)	(688)
Net loan servicing income	128	128	666	666
Insurance premiums and service revenue earned	1,045	1,045	3,107	3,107
Gain on sale of mortgage and automotive loans, net	352	352	1,220	1,220
Investment income	525	525	1,079	1,079

Gain on sale of equity method investments, net			411	411
Other income	**1,033**	**965**	**3,051**	**2,952**
Total net financing revenue and other income	**4,288**	**4,545**	**14,366**	**14,166**
Expense				
Depreciation expense on operating lease assets	1,400	1,400	4,185	4,185
Compensation and benefits expense	613	613	1,996	1,996
Insurance losses and loss adjustment expenses	580	580	1,830	1,830
Other operating expenses	**1,109**	**1,102**	**3,452**	**3,439**
Impairment of goodwill and other intangible assets	840	840	840	840
Total noninterest expense	**4,542**	**4,535**	**12,303**	**12,290**
Income (loss) before income tax expense	**(254)**	**10**	**2,063**	**1,876**
Income tax expense	**70**	**183**	**815**	**766**
Net income (loss)	**($324)**	**($173)**	**$1,248**	**$1,110**

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the effects of the restatement on the Condensed Consolidated Balance Sheet.

	September 30, 2006	
($ in millions)	Previously reported	Restated
Assets		
Cash and cash equivalents	$9,125	$9,125
Investment securities	19,262	19,262
Loans held for sale	24,996	24,996
Finance receivables and loans, net of unearned income		
Consumer	**140,121**	**140,066**
Commercial	45,180	45,180
Allowance for credit losses	(2,986)	(2,986)
Total finance receivables and loans, net	**182,315**	**182,260**
Investment in operating leases, net	35,755	35,755
Notes receivable from General Motors	5,698	5,698
Mortgage servicing rights	4,828	4,828
Premiums and other insurance receivables	2,052	2,052
Other assets	**25,817**	**25,755**
Total assets	**$309,848**	**$309,731**
Liabilities		
Debt		
Unsecured	**$118,081**	**$118,418**
Secured	131,429	131,429
Total debt	**249,510**	**249,847**
Interest payable	3,012	3,012
Unearned insurance premiums and service revenue	5,149	5,149
Reserves for insurance losses and loss adjustment expenses	2,611	2,611
Accrued expenses and other liabilities	**23,763**	**23,541**
Deferred income taxes	4,647	4,647
Total liabilities	**288,692**	**288,807**
Equity		
Members interest	5,760	5,760

Retained earnings	**14,475**	**14,242**
Accumulated other comprehensive income	**921**	**922**
Total equity	**21,156**	**20,924**
Total liabilities and equity	**$309,848**	**$309,731**

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the effects of the restatement on the Condensed Consolidated Statement of Changes in Equity.

	Nine months ended September 30, 2006	
($ in millions)	Previously reported	Restated
Common stock and paid-in capital		
Balance at January 1, 2006	$5,760	$5,760
Conversion of common stock to member s interest on July 20, 2006	(5,760)	(5,760)
Balance at September 30, 2006	$	$
Members interest		
Balance at January 1, 2006	$	$
Conversion of common stock to member s interest on July 20, 2006	5,760	5,760
Balance at September 30, 2006	$5,760	$5,760
Retained earnings		
Balance at January 1, 2006	**$15,190**	**$15,095**
Net income	**1,248**	**1,110**
Cumulative effect of a change in accounting principle, net of income taxes:		
Transfer of unrealized loss for certain available for sale securities to trading securities	(17)	(17)
Recognize mortgage service rights at fair value	4	4
Dividends paid	(1,950)	(1,950)
Balance at September 30, 2006	**$14,475**	**$14,242**
Accumulated other comprehensive income		
Balance at January 1, 2006	**$828**	**$830**
Other comprehensive income	**76**	**75**
Transfer of unrealized loss for certain available for sale securities to trading securities	17	17

Balance at September 30, 2006	**$921**	**$922**
Total equity		
Balance at January 1, 2006	**$21,778**	**$21,685**
Net income	**1,248**	**1,110**
Recognize mortgage servicing rights at fair value	4	4
Dividends paid	(1,950)	(1,950)
Other comprehensive income	**76**	**75**
Total equity at September 30, 2006	**$21,156**	**$20,924**
Comprehensive income		
Net income	**$1,248**	**$1,110**
Other comprehensive income	**76**	**75**
Recognize mortgage servicing rights at fair value	4	4
Comprehensive income	**$1,328**	**$1,189**

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

3. Other Income

Details of other income were as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2007**	2006	**2007**	2006
Real estate-related revenue and other investment income	**$34**	$ 172	**$363**	$521
Interest and service fees on transactions with GM (a)	**86**	173	**245**	467
Interest on cash equivalents	**103**	109	**312**	406
Other interest revenue	**168**	158	**466**	406
Full service leasing fees	**84**	70	**239**	205
Late charges and other administrative fees	**46**	40	**132**	122
Mortgage processing fees	**21**	18	**84**	115
Interest on restricted cash deposits	**28**	27	**114**	86
Insurance service fees	**37**	45	**115**	103
Factoring commissions	**14**	16	**41**	45
Specialty lending fees	**9**	12	**30**	42
Fair value adjustment on certain derivatives (b)	**18**	17	**53**	(4)
Other	**(46)**	108	**61**	438
Total other income	**$602**	$ 965	**$ 2,255**	$ 2,952

(a) Refer to Note 9 to the Condensed Consolidated Financial Statements for a description of related party transactions.

(b) Refer to Note 8 to the Condensed Consolidated Financial Statements for a description of derivative instruments and hedging activities.

4. Other Operating Expenses

Details of other operating expenses were as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2007**	2006	**2007**	2006
Insurance commissions	**$237**	$238	**$702**	$692
Technology and communications expense	**177**	144	**478**	408
Professional services	**104**	120	**303**	336

Advertising and marketing	**72**	84	**225**	260
Premises and equipment depreciation	**45**	64	**145**	191
Rent and storage	**55**	59	**169**	180
Full service leasing vehicle maintenance costs	**78**	66	**215**	188
Lease and loan administration	**50**	58	**156**	166
Auto remarketing and repossession	**76**	89	**170**	212
Operating lease disposal loss (gain)	**1**	27	**(6)**	(1)
Other	**316**	153	**1,083**	807
Total other operating expenses	**$ 1,211**	$ 1,102	**$ 3,640**	$ 3,439

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

5. Finance Receivables and Loans

The composition of finance receivables and loans outstanding was as follows:

	September 30, 2007			December 31, 2006		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer						
Retail automotive	**$21,256**	**$24,514**	**$45,770**	$40,568	$20,538	$61,106
Residential mortgages	**58,340**	**2,432**	**60,772**	65,928	3,508	69,436
Total consumer	**79,596**	**26,946**	**106,542**	106,496	24,046	130,542
Commercial						
Automotive:						
Wholesale	**14,804**	**7,969**	**22,773**	12,723	7,854	20,577
Leasing and lease financing	**324**	**932**	**1,256**	326	901	1,227
Term loans to dealers and other	**2,040**	**822**	**2,862**	1,843	764	2,607
Commercial and industrial	**7,393**	**2,493**	**9,886**	14,068	2,213	16,281
Real estate construction and other	**3,280**	**501**	**3,781**	2,969	243	3,212
Total commercial	**27,841**	**12,717**	**40,558**	31,929	11,975	43,904
Total finance receivables and loans (a)	**$107,437**	**$39,663**	**$147,100**	$138,425	$36,021	$174,446

(a) Net of unearned income of $4.0 billion and $5.7 billion as of September 30, 2007, and December 31, 2006, respectively.

In addition to the finance receivables and loans outstanding held for investment as summarized in the table above, we had loans held for sale of $24.0 billion and $27.7 billion as of September 30, 2007, and December 31, 2006, respectively. As of September 30, 2007, loans held for sale by our Automotive Finance operations were $9.0 billion, as compared to having no loans held for sale as of December 31, 2006. The increase in loans held for sale by our Automotive Finance operations is attributable to a change in our funding strategy as we move to an originate and sell model. As of September 30, 2007, loans held for sale by ResCap were $15.0 billion, as compared to $27.1 billion as of December 31, 2006. As of December 31, 2006, our Commercial Finance operations also had $652 million of loans

held for sale.

During the three months ended September 30, 2007, ResCap transferred certain mortgage loan products from loans held for sale to loans held for investment due to market conditions and ResCap s ability and intent to hold these loans for the foreseeable future. $6.0 billion of loans were transferred at lower of cost or market with a carrying value of $5.4 billion after the recognition of an impairment charge, on an individual asset basis, upon the transfer of these loans.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables present an analysis of the activity in the allowance for credit losses on finance receivables and loans.

	Three months ended September 30,					
	2007			2006		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Allowance at July 1,	**$3,062**	**$402**	**$3,464**	$2,492	$374	$2,866
Provision for credit losses	**878**	**86**	**964**	406	97	503
Charge-offs						
Domestic	**(596)**	**(36)**	**(632)**	(364)	(30)	(394)
Foreign	**(71)**	**(13)**	**(84)**	(47)	(4)	(51)
Total charge-offs	**(667)**	**(49)**	**(716)**	(411)	(34)	(445)
Recoveries						
Domestic	**43**	**11**	**54**	44		44
Foreign	**13**	**4**	**17**	10	2	12
Total recoveries	**56**	**15**	**71**	54	2	56
Net charge-offs	**(611)**	**(34)**	**(645)**	(357)	(32)	(389)
Reduction of allowance due to deconsolidation (a)	**(306)**		**(306)**			
Impacts of foreign currency translation	**8**	**3**	**11**	3	3	6
Allowance at September 30,	**$3,031**	**$457**	**$3,488**	$2,544	$442	$2,986

	Nine months ended September 30,					
	2007			2006		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Allowance at January 1,	**$2,969**	**$607**	**$3,576**	$2,652	$433	$3,085
Provision for credit losses	**1,761**	**314**	**2,075**	833	104	937
Charge-offs						

Domestic	**(1,438)**	**(416)**	**(1,854)**	(1,005)	(101)	(1,106)
Foreign	**(159)**	**(73)**	**(232)**	(131)	(8)	(139)
Total charge-offs	**(1,597)**	**(489)**	**(2,086)**	(1,136)	(109)	(1,245)
Recoveries						
Domestic	**153**	**15**	**168**	147	8	155
Foreign	**41**	**5**	**46**	34	4	38
Total recoveries	**194**	**20**	**214**	181	12	193
Net charge-offs	**(1,403)**	**(469)**	**(1,872)**	(955)	(97)	(1,052)
Reduction of allowance due to deconsolidation (a)	**(306)**		**(306)**			
Impacts of foreign currency translation	**10**	**5**	**15**	12	2	14
Securitization activity				2		2
Allowance at September 30,	**$3,031**	**$457**	**$3,488**	$2,544	$442	$2,986

(a) During the three months ended September 30, 2007, ResCap completed the sale of residual cash flows related to a number of on-balance sheet securitizations. ResCap completed the approved actions to cause the securitization trusts to satisfy the qualifying special-purpose entity requirement of SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The actions resulted in the deconsolidation of various securitization trusts.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

6. Mortgage Servicing Rights

The following table summarizes activity related to mortgage servicing rights (MSRs) carried at fair value.

($ in millions)	Nine months ended September 30, 2007	2006
Estimated fair value at January 1,	**$4,930**	$4,021
Additions obtained from sales of financial assets	**1,304**	1,269
Additions from purchases of servicing rights	**3**	12
Subtractions from disposals	**(165)**	
Changes in fair value:		
Due to changes in valuation inputs or assumptions used in the valuation model	**(56)**	79
Other changes in fair value	**(466)**	(553)
Other changes that affect the balance	**(3)**	
Estimated fair value at September 30,	**$5,547**	$4,828

As of September 30, 2007, we pledged MSRs of $2.7 billion as collateral for borrowings, compared to $2.4 billion as of December 31, 2006. For a description of MSRs and the related hedging strategy, refer to Notes 9 and 15 to our 2006 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 a revaluation by a model or by a benchmarking exercise. This line item also includes changes in fair value resulting from a change in valuation assumptions or model calculations or both. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic run-off of the portfolio, as well as foreign currency adjustments and the extinguishment of MSRs related to clean-up calls of securitization transactions.

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

	September 30, 2007	2006
Range of prepayment speeds	**0.4 53.6%**	5.2 43.2%
Range of discount rates	**7.7 13.0%**	8.0 14.0%

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. We economically hedge 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 or purchasing or selling U.S. Treasury and principal-only securities. The interest income, mark-to-market adjustments, and gain or loss from sale activities associated with these instruments are expected to economically hedge a portion of the change in value of the MSR portfolio caused by fluctuating discount rates, earnings rates, and prepayment speeds. At September 30, 2007, the fair value of derivative financial instruments and nonderivative financial instruments used to mitigate these risks amounted to $534 million and $839 million, respectively. The change in fair value of the derivative financial instruments amounted to a loss of $58 million and $218 million for the nine months ended September 30, 2007 and 2006, respectively, and is included in servicing asset valuation and hedge activities, net in the Condensed Consolidated Statement of Income.

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The components of servicing fees were as follows:

	Nine months ended September 30,	
($ in millions)	**2007**	2006
Contractual servicing fees, net of guarantee fees and including subservicing	**$1,155**	$972
Late fees	**110**	96
Ancillary fees	**86**	94
Total	**$1,351**	$1,162

7. Debt

In the following table, we classify domestic and foreign debt on the basis of the location of the office recording the transaction.

	September 30, 2007			December 31, 2006		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Short-term debt						
Commercial paper	**$626**	**$1,123**	**$1,749**	$742	$781	$1,523
Demand notes	**6,335**	**246**	**6,581**	5,917	157	6,074
Bank loans and overdrafts	**640**	**6,574**	**7,214**	991	5,272	6,263
Repurchase agreements and other (a)	**9,956**	**9,011**	**18,967**	22,506	7,232	29,738
Total short-term debt	**17,557**	**16,954**	**34,511**	30,156	13,442	43,598
Long-term debt						
Senior indebtedness:						
Due within one year	**21,026**	**15,131**	**36,157**	20,010	15,204	35,214
Due after one year	**125,248**	**25,170**	**150,418**	135,693	22,589	158,282
Total long-term debt	**146,274**	**40,301**	**186,575**	155,703	37,793	193,496
Fair value adjustment (b)	**60**	**(46)**	**14**	(3)	(106)	(109)

Total debt	**$163,891**	**$57,209**	**$221,100**	$185,856	$51,129	$236,985

(a) Repurchase agreements consist of secured financing arrangements with third parties at our mortgage operations. Other primarily includes nonbank secured borrowings, as well as Notes payable to GM. Refer to Note 9 to our Condensed Consolidated Financial Statements for further details.

(b) To adjust designated fixed-rate debt for changes in fair value resulting from changes in the designated benchmark interest rate in accordance with SFAS 133.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table summarizes assets that are restricted as collateral for the payment of related debt obligations. These restrictions primarily arise from securitization transactions accounted for as secured borrowings and repurchase agreements.

	September 30, 2007		December 31, 2006	
($ in millions)	**Assets**	**Related secured debt (a)**	Assets	Related secured debt (a)
Mortgage loans held for sale	**$13,270**	**$9,725**	$22,834	$20,525
Mortgage assets held for investment and lending receivables	**64,775**	**52,268**	80,343	68,333
Retail automotive finance receivables	**34,433**	**27,253**	20,944	18,858
Wholesale automotive finance receivables	**210**	**74**	376	240
Investment securities	**2,633**	**2,202**	3,662	4,523
Investment in operating leases, net	**18,717**	**16,674**	6,851	6,456
Real estate investments and other assets	**16,197**	**6,076**	8,025	4,550
Total	**$150,235**	**$114,272**	$143,035	$123,485

(a) Included as part of secured debt are repurchase agreements of $6.5 billion and $11.5 billion where we have pledged assets as collateral for approximately the same amount of debt at September 30, 2007, and December 31, 2006, respectively.

Liquidity Facilities

Liquidity facilities represent additional funding sources. The financial institutions providing the uncommitted facilities are not legally obligated to advance funds under them. The following table summarizes the liquidity facilities that we maintain. The unused capacity on these facilities can be accessed upon the pledge of available eligible assets or future acquisition of assets meeting the eligibility requirements.

	Total capacity		**Unused capacity**		**Outstanding**	
($ in billions)	**Sept 30, 2007**	Dec 31, 2006	**Sept 30, 2007**	Dec 31, 2006	**Sept 30, 2007**	Dec 31, 2006
Committed unsecured:						
Automotive Finance operations	**$8.8**	$10.2	**$7.8**	$9.1	**$1.0**	$1.1
ResCap	**4.0**	4.0	**1.8**	2.0	**2.2**	2.0
Other	**0.2**	0.3	**0.2**	0.3		
Committed secured:						
Automotive Finance operations	**90.2**	91.2	**59.0**	65.9	**31.2**	25.3

ResCap	**34.2**	29.5	**16.9**	7.9	**17.3**	21.6
Other	**22.9**	13.9	**10.2**	10.1	**12.7**	3.8
Total committed facilities	**160.3**	149.1	**95.9**	95.3	**64.4**	53.8
Uncommitted unsecured:						
Automotive Finance operations	**10.3**	8.7	**1.8**	1.4	**8.5**	7.3
ResCap	**0.6**	1.5	**0.1**	0.7	**0.5**	0.8
Other	**0.1**	0.1			**0.1**	0.1
Uncommitted secured:						
ResCap	**98.1**	73.3	**85.8**	51.9	**12.3**	21.4
Total uncommitted facilities	**109.1**	83.6	**87.7**	54.0	**21.4**	29.6
Total	**$269.4**	$232.7	**$183.6**	$149.3	**$85.8**	$83.4

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

8. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign-currency futures, forwards, options, and swaps in connection with our market risk management activities. In accordance with SFAS 133, as amended, we record derivative financial instruments on the balance sheet as assets or liabilities at fair value. Changes in fair value are accounted for depending on the use of the derivative financial instrument and whether it qualifies for hedge accounting treatment.

Effective May 1, 2007, we designated certain interest rate swaps as fair value hedges of callable fixed-rate debt instruments funding our North American Automotive Finance operations. Prior to May 1, 2007, these swaps were economic hedges of this callable fixed-rate debt. Effectiveness of these hedges is assessed using regression of thirty quarterly data points for each relationship, the results of which must meet thresholds for R-squared, slope, F-statistic, and T-statistic. Any ineffectiveness measured in these relationships is recorded in earnings.

The following table summarizes the pretax earnings effect for each type of hedge classification, segregated by the asset or liability being hedged.

	Three months ended September 30,		**Nine months ended September 30,**		
($ in millions)	**2007**	2006	**2007**	2006	Income statement classification
Fair value hedge ineffectiveness gain (loss):					
Debt obligations	**$51**	$	**($27)**	$	Interest expense
Loans held for sale		(1)	**(1)**		(Loss) gain on sale of mortgage and automotive loans, net
Cash flow hedge ineffectiveness gain:					
Debt obligations				1	Interest expense
Economic hedge change in fair value:					
Off-balance sheet securitization activities:					
Financing operations		17	**30**	(4)	Other income
Foreign-currency debt (a)	**26**	(9)	**26**	49	Interest expense, Other operating expenses
Loans held for sale or investment	**(265)**	(174)	**(86)**	(16)	(Loss) gain on sale of mortgage and automotive loans, net
Mortgage servicing rights	**580**	436	**(58)**	(219)	Servicing asset valuation and hedge activities, net
Mortgage-related securities	**(51)**	30	**(119)**		Investment income
Callable debt obligations	**8**	389	**43**	(65)	Interest expense

Other	**(3)**	(2)	**(16)**	24	Other income, Interest expense, Other operating expenses
Net gains (losses)	**$346**	$686	**($208)**	($230)	

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

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CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

9. 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, 2007**	December 31, 2006
Assets:		
Available for sale investment in asset-backed security (a)	**$373**	$471
Finance receivables and loans, net of unearned income		
Wholesale auto financing (b)	**760**	938
Term loans to dealers (b)	**218**	207
Lending receivables (c)	**149**	
Investment in operating leases, net (d)	**321**	290
Notes receivable from GM (e)	**2,112**	1,975
Other assets		
Receivable related to taxes due from GM (f)		317
Subvention receivables (rate and residual support)	**431**	
Lease pull ahead receivable	**69**	
Other	**37**	50
Liabilities:		
Unsecured debt		
Notes payable to GM	**525**	60
Other	**3**	
Accrued expenses and other liabilities		
Wholesale payable	**1,083**	499
Subvention receivables (rate and residual support)		(309)
Lease pull ahead receivable		(62)
Other receivables (payables)	**58**	(100)
Preferred interests	**2,226**	2,195
Equity:		
Dividends to members (g)		9,739
Capital contributions received (h)	**1,035**	951
Preferred interest accretion to redemption value and dividends	**158**	295

(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.

(c) Primarily represents loans with various affiliates of FIM Holdings.

(d) Includes vehicles, buildings, and other equipment classified as operating lease assets that are leased to GM-affiliated and FIM Holdings-affiliated entities.

(e) 2006 amounts include borrowing arrangements related to our funding of GM company-owned vehicles, rental car vehicles awaiting sale at auction, our funding of the sale of GM vehicles through the use of overseas distributors, and amounts related to the GM trade supplier finance program. During 2007 and 2006 we have also provided wholesale financing to GM for vehicles, parts, and accessories in which GM retains title while consigned to us or dealers 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. Also included in the 2007 balance is the note receivable from GM referenced in (f) below.

(f) In November 2006, GMAC transferred NOL tax receivables to GM for entities converting to an LLC. For all nonconverting entities, the amount was reclassified to deferred income taxes on the Condensed Consolidated Balance Sheet. At December 31, 2006, this balance represents a 2006 overpayment of taxes from GMAC to GM under our former tax-sharing arrangement and was included in Accrued expenses and other liabilities on our Consolidated Balance Sheet. At September 30, 2007, this balance was included in Notes receivable from GM on the Condensed Consolidated Balance Sheet. The note bears interest at a fixed annual rate of 7% and is due in quarterly installments of interest only starting June 15, 2007, with one final payment of all unpaid amounts on December 15, 2007.

(g) Amount includes cash dividends of $4.8 billion and noncash dividends of $4.9 billion in 2006. During the fourth quarter of 2006, in connection with the Sale Transactions, GMAC paid $7.8 billion of dividends to GM, which was composed of the following: (i) a cash dividend of $2.7 billion representing a one-time distribution to GM primarily to reflect the increase in GMAC s equity resulting from the elimination of a portion of our net deferred tax liabilities arising from the conversion of GMAC and certain of our subsidiaries to a limited liability company; (ii) certain assets with respect to automotive leases owned by GMAC and its affiliates having a net book value of approximately $4.0 billion and related deferred tax liabilities of $1.8 billion; (iii) certain Michigan properties with a carrying value of approximately $1.2 billion to GM; (iv) intercompany receivables from GM related to tax attributes of $1.1 billion; (v) net contingent tax assets of $491 million; and (vi) other miscellaneous transactions.

(h) During the first quarter of 2007, under the terms of the Sale Transactions, GM made a capital contribution of $1 billion to GMAC. The amount in 2006 was composed of the following: (i) approximately $801 million of liabilities related to U.S.- and Canadian-based, GM-sponsored, other postretirement programs and related deferred tax assets of $302 million; (ii) contingent tax liabilities of $384 million assumed by GM; and (iii) deferred tax assets transferred from GM of $68 million.

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Income Statement

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

	Three months ended September 30,		**Nine months ended September 30,**	
($ in millions)	**2007**	2006	**2007**	2006
Net financing revenue:				
GM and affiliates lease residual value support (a)	**$276**	$245	**$729**	$609
Wholesale subvention and service fees from GM	**62**	49	**193**	137
Interest paid on loans with GM	**(6)**	(17)	**(10)**	(45)
Interest on loans with FIM Holdings affiliates	**3**		**14**	
Consumer lease payments from GM (b)	**8**	4	**21**	65
Insurance premiums earned from GM	**63**	72	**192**	229
Other income:				
Interest on notes receivable from GM and affiliates	**36**	97	**101**	233
Interest on wholesale settlements (c)	**47**	44	**134**	137
Revenues from GM leased properties, net	**3**	28	**10**	82
Derivatives (d)	**(6)**		**1**	
Service fee income:				
Rental car repurchases held for resale (e)		4		15
U.S. Automotive operating leases (f)	**8**		**21**	
Expense:				
Employee retirement plan costs allocated by GM		21	**(1)**	84
Off-lease vehicle selling expense reimbursement (g)	**(12)**	(8)	**(29)**	(22)
Payments to GM for services, rent and marketing expenses (h)	**37**	23	**112**	70

(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 the 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 related to derivative transactions that we enter into with GM as counterparty.

(e) Represents a servicing fee from GM related to the resale of rental car repurchases. At December 31, 2006, this program was terminated.

(f) Represents servicing income related to automotive leases distributed to GM on November 22, 2006.

(g) An agreement with GM provides for the reimbursement of certain selling expenses incurred by us on off-lease vehicles sold by GM at auction.

(h) 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.

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, it pays 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.

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GM may also sponsor lease 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. Historically, GM reimbursed us at the time of the vehicle s disposal if remarketing sales proceeds were less than the customer s contractual residual value limited to our standard residual value. In addition to residual support programs, GM also participated in a risk sharing arrangement whereby GM shared equally in residual losses to the extent that remarketing proceeds were below our standard residual values (limited to a floor).

In connection with the Sale Transactions, GM settled its estimated liabilities with respect to residual support and risk sharing on a portion of our operating lease portfolio and on the entire U.S. balloon retail receivables portfolio in a series of lump-sum payments. A negotiated amount totaling approximately $1.4 billion was agreed to by GM under these leases and balloon contracts and was paid to us. The payments were recorded as a deferred amount in Accrued expenses and other liabilities in our Condensed Consolidated Balance Sheet. As these contracts terminate and the vehicles are sold at auction, the payments are treated as a component of sales proceeds in recognizing the gain or loss on sale of the underlying assets. As of September 30, 2007, the remaining deferred amount is $880 million.

In addition, with regard to U.S. lease originations and all U.S. balloon retail contract originations occurring after April 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 the time of 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. For the affected contracts originated during the three months and nine months ended September 30, 2007, GM paid or agreed to pay us a total of $330 million and $937 million in 2007, respectively.

Based on the September 30, 2007, outstanding U.S. operating lease portfolio, the additional maximum amount that could be paid by GM under the residual support programs is approximately $903 million and would only be paid 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, 2007, outstanding U.S. operating lease portfolio, the maximum amount that could be paid under the risk-sharing arrangements is approximately $978 million and would only be paid in the unlikely event that the proceeds from all outstanding lease vehicles were lower than our standard residual rates.

Retail and lease contracts acquired by us that included rate and residual subvention from GM, payable directly or indirectly to GM dealers as a percent of total new retail and lease contracts acquired, are noted in the table.

	Nine months ended September 30,	
	2007	2006
GM and affiliates subvented contracts acquired:		
North American operations	**85%**	91%
International operations (a)	**42%**	54%

(a) The decrease in 2007 is primarily due to a price repositioning in Mexico, which improved the competitiveness of nonsubvented products and increased Mexico s retail penetration by 5% in comparison with 2006 levels.

As a result of GM-sponsored rate incentive programs, our North American Automotive Finance operations recognized $338 million and $442 million in consumer financing revenue as yield adjustments on GM subvented retail loans for the three months ended September 30, 2007 and 2006, respectively.

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Other

We have entered into various services agreements with GM that are designed to document and maintain the current and historical relationship between us. 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.

GM also provides payment guarantees on certain commercial assets we have outstanding with certain third-party customers. As of September 30, 2007, and December 31, 2006, commercial obligations guaranteed by GM were $110 million and $216 million, respectively. In addition, we have a consignment arrangement with GM for commercial inventories in Europe. As of September 30, 2007, and December 31, 2006, commercial inventories related to this arrangement were $97 million and $151 million, respectively, and are reflected in Other assets in the Condensed Consolidated Balance Sheet.

10. Goodwill

During the three months ended September 30, 2007, we initiated an evaluation of goodwill of Residential Capital, LLC (ResCap) for potential impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets,* outside our normal fourth quarter cycle. This interim test was initiated in light of deteriorating conditions in the residential and home building markets, including significant changes in the mortgage secondary market, tightening underwriting guidelines, reducing product offerings, and recent credit downgrades of ResCap s unsecured debt obligations. These factors had a significant impact on our view of ResCap s future expected asset levels and growth rate assumptions.

Consistent with prior assessments, the fair value of the ResCap business was determined using an internally developed discounted cash flow methodology. In addition, we took into consideration other relevant indicators of value available in the marketplace such as recent market transactions and trading values of similar companies. Based upon the results of the assessment, we concluded that the carrying value of all ResCap goodwill exceeded its fair value, resulting in an impairment loss of $455 million in September 2007. We recorded a charge of $840 million during the three months ended September 30, 2006, relating to the impairment of goodwill and intangible assets at our Commercial Finance operations.

As of September 30, 2007, the carrying value of our remaining goodwill is approximately $1.5 billion related primarily to our International Automotive Finance and Insurance operations.

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11. Segment Information

Financial results for our reporting segments are summarized below.

Three months ended September 30,	Automotive Finance operations (a)					
($ in millions)	North American operations (a)	International operations (b)	ResCap	Insurance operations	Other (c)	Consolidated
2007						
Net financing revenue before provision for credit losses	**$1,213**	**$453**	**($61)**	**$**	**$61**	**$1,666**
Provision for credit losses	**(52)**	**(33)**	**(881)**		**2**	**(964)**
Other revenue	**824**	**145**	**(381)**	**1,283**	**(8)**	**1,863**
Total net financing revenue (loss) and other income	**1,985**	**565**	**(1,323)**	**1,283**	**55**	**2,565**
Impairment of goodwill and other intangible assets			**455**			**455**
Noninterest expense	**1,575**	**436**	**617**	**1,125**	**21**	**3,774**
Income (loss) before income tax expense (benefit)	**410**	**129**	**(2,395)**	**158**	**34**	**(1,664)**
Income tax expense (benefit)	**7**	**13**	**(134)**	**41**	**5**	**(68)**
Net income (loss)	**$403**	**$116**	**($2,261)**	**$117**	**$29**	**($1,596)**
Total assets	**$140,784**	**$26,448**	**$108,510**	**$14,511**	**($11,475)**	**$278,778**
2006						
Net financing revenue before provision for credit losses	$1,352	$406	$174	$	$101	$2,033
Provision for credit losses	(124)	(31)	(239)		(109)	(503)
Other revenue	776	150	858	1,258	(27)	3,015
Total net financing revenue and other income	2,004	525	793	1,258	(35)	4,545

Impairment of goodwill and other intangible assets					840	840
Noninterest expense	1,631	395	644	977	48	3,695
Income (loss) before income tax expense (benefit)	373	130	149	281	(923)	10
Income tax expense (benefit)	136	47	66	98	(164)	183
Net income (loss)	$237	$83	$83	$183	($759)	($173)
Total assets	$150,340	$24,408	$132,490	$13,919	($11,426)	$309,731

(a) North American operations consists of automotive financing in the United States, Canada, Puerto Rico (after March 31, 2006), and certain other corporate activities. International operations consists of automotive financing and full service leasing in all other countries.

(b) Amounts include intrasegment eliminations between the North American operations and International operations.

(c) Represents our Commercial Finance business, equity interest in Capmark, certain corporate activities related to mortgage activities, and reclassifications and eliminations between the reporting segments.

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Nine months ended September 30, *($ in millions)*	Automotive Finance operations (a) North American operations (a)	International operations (b)	ResCap	Insurance operations	Other (c)	Consolidated
2007						
Net financing revenue before provision for credit losses	**$3,178**	**$1,352**	**$168**	**$**	**$174**	**$4,872**
Provision for credit losses	**(217)**	**(106)**	**(1,749)**		**(3)**	**(2,075)**
Other revenue	**2,349**	**396**	**735**	**3,621**	**65**	**7,166**
Total net financing revenue (loss) and other income	**5,310**	**1,642**	**(846)**	**3,621**	**236**	**9,963**
Impairment of goodwill and other intangible assets			**455**			**455**
Noninterest expense	**4,266**	**1,278**	**2,149**	**3,084**	**98**	**10,875**
Income (loss) before income tax expense (benefit)	**1,044**	**364**	**(3,450)**	**537**	**138**	**(1,367)**
Income tax expense (benefit)	**34**	**75**	**(25)**	**146**	**11**	**241**
Net income (loss)	**$1,010**	**$289**	**($3,425)**	**$391**	**$127**	**($1,608)**
2006						
Net financing revenue before provision for credit losses	$3,356	$1,209	$702	$	$401	$5,668
Provision for credit losses	(267)	(46)	(484)		(140)	(937)
Other revenue	2,338	448	3,090	3,556	3	9,435
Total net financing revenue and other income	5,427	1,611	3,308	3,556	264	14,166
Impairment of goodwill and other intangible assets					840	840
Noninterest expense	4,946	1,193	1,941	2,972	398	11,450
	481	418	1,367	584	(974)	1,876

Income (loss) before income tax expense (benefit)						
Income tax expense (benefit)	126	129	534	192	(215)	766
Net income	$355	$289	$833	$392	($759)	$1,110

(a) North American operations consists of automotive financing in the United States, Canada, Puerto Rico (after March 31, 2006), and certain other corporate activities. International operations consists of automotive financing and full service leasing in all other countries and Puerto Rico through March 31, 2006.

(b) Amounts include intrasegment eliminations between the North American operations and International operations.

(c) Represents our Commercial Finance business, equity interest in Capmark, certain corporate activities related to mortgage activities, and reclassifications and eliminations between the reporting segments.

12. Subsequent Events

ResCap Restructuring Plan

On October 17, 2007, ResCap announced a restructuring plan that will reduce its workforce, streamline its operations, and revise its cost structure to enhance its flexibility, allowing it to scale operations up or down more rapidly to meet changing market conditions. The restructuring plan announced will include reducing the current worldwide workforce by approximately 25%, or by approximately 3,000 associates, with the majority of these reductions occurring in the fourth quarter of 2007. We estimate the range of severance and related

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costs associated with the workforce reduction will be approximately $90 million to $110 million. Employee-related costs will be approximately $55 million to $65 million and the closure of facilities approximately $35 million to $45 million. The majority of these charges will be incurred in the fourth quarter of 2007. Consolidated charges are expected to result in future cash expenditures of approximately $85 to $95 million.

Conversion of Preferred Membership Interests

Effective November 1, 2007, FIM Holdings and GM Finance Co. Holdings LLC (GM Finance) executed an amendment to the GMAC Amended and Restated Limited Liability Company Operating Agreement (the Amendment) that resulted in certain modifications to GMAC s capital structure.

Prior to the Amendment, GMAC had authorized and outstanding 51,000 Class A Membership Interests (Class A Interests), all held by FIM Holdings, and 49,000 Class B Membership Interests (Class B Interests), all held by GM Finance. The Class A Interests and Class B Interests are collectively referred to as our Common Equity Interests , and each has equal rights and preferences in GMAC assets. GMAC further had authorized and outstanding 2,110,000 Preferred Membership Interests, 555,000 of which were held by FIM Holdings (the FIM Preferred Interests), and 1,555,000 of which were held by GM Preferred Finance Co. Holdings Inc. (the GM Preferred Interests). The Amendment resulted in the conversion of 100% of the FIM Preferred Interests into 4,072 additional Class A Membership Interests and the conversion of 533,236 of the GM Preferred Interests into 3,912 additional Class B Membership Interests (collectively, the Conversions). Following the Conversions, FIM Holdings continues to hold 51% of GMAC s Common Equity Interests, and GM Finance and GM Preferred Finance Co. Holdings Inc. collectively hold 49% of GMAC s Common Equity Interests. The converted Preferred Interests have been cancelled and are no longer available for issuance. All other terms and conditions related to the Common Equity Interests and the remaining GM Preferred Interests remain unchanged. The Amendment is included as Exhibit 3.2 to this Form 10-Q.

Recent Market Events

The global dislocation in the mortgage and credit markets has persisted into the fourth quarter of 2007, with the reduction of liquidity remaining most acute across the credit spectrum of mortgage products. This has resulted in a continued reduction in the value of mortgage- and real estate-related assets, to date. Accordingly, to date, our fourth quarter 2007 results of operations continue to be negatively impacted, especially at ResCap. Additionally, on November 1, 2007, the credit ratings of GMAC and ResCap were further downgraded by various credit rating agencies, which will increase our cost of funding.

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

Overview

GMAC is a leading, independent, globally diversified, financial services firm with approximately $279 billion of assets at September 30, 2007, and operations in approximately 40 countries. Founded in 1919 as a wholly owned subsidiary of General Motors Corporation (General Motors or GM), GMAC was originally established to provide GM 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, GM sold a 51% interest in us for approximately $7.4 billion (the Sale Transactions) to FIM Holdings LLC (FIM Holdings), an investment consortium led by Cerberus FIM Investors, LLC, the sole managing member. The consortium also includes Citigroup Inc., Aozora Bank Ltd., and a subsidiary of The PNC Financial Services Group, Inc.

Our products and services have expanded beyond automotive financing as we currently operate in the following lines of business Automotive Finance, Mortgage (Residential Capital, LLC or ResCap), and Insurance. The following table summarizes the operating results of each line of business for the three months and nine months ended September 30, 2007 and 2006. Operating results for each of the lines of business are more fully described in the Management s Discussion and Analysis (MD&A) sections that follow.

	Three months ended September 30,			Nine months ended September 30,		
($ in millions)	**2007**	2006	**2007-2006 % Change**	**2007**	2006	**2007-2006 % Change**
Net financing revenue (loss) and other income						
Automotive Finance	**$2,550**	$2,529	**1**	**$6,952**	$7,038	**(1)**
ResCap	**(1,323)**	793	**(267)**	**(846)**	3,308	**(126)**
Insurance	**1,283**	1,258	**2**	**3,621**	3,556	**2**
Other	**55**	(35)	**257**	**236**	264	**(11)**
Net income (loss)						
Automotive Finance	**$519**	$320	**62**	**$1,299**	$644	**102**
ResCap	**(2,261)**	83	**n/m**	**(3,425)**	833	**n/m**
Insurance	**117**	183	**(36)**	**391**	392	
Other	**29**	(759)	**104**	**127**	(759)	**117**

n/m = not meaningful

Our 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 Automotive Finance operations consist of two separate reporting segments North American Automotive Finance operations and International Automotive Finance operations. The products and services offered by our Automotive Finance operations include the purchase of retail installment sales contracts and leases, offering of term loans, dealer floor plan financing and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. While most of our operations focus on prime automotive financing to and through GM or GM-affiliated dealers, our Nuvell operation, which is part of our North American Automotive Finance operations, focuses on nonprime automotive

financing to GM-affiliated and non-GM dealers. Our Nuvell operation also provides private-label automotive financing. Our Automotive Financing operations utilize asset securitization and whole-loan sales as a critical component of our diversified funding strategy.

Our ResCap operations engage in the origination, purchase, servicing, sale, and securitization of consumer (i.e., residential) and mortgage loans and mortgage-related products (e.g., real estate services). Typically, mortgage loans are originated and sold to investors in the secondary market, including securitization transactions in which the assets are legally sold but are accounted for as secured financings. Certain agreements are in place between ResCap and us that restrict ResCap s ability to declare dividends or prepay subordinated indebtedness owed to us as well as inhibit our ability to return funds for dividend and

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debt payments. For additional information, please refer to ResCap s Annual Report on Form 10-K for the period ended December 31, 2006, filed separately with the SEC, which is not deemed incorporated into any of our filings under the Securities Act or the Exchange Act.

Our Insurance operations offer vehicle service contracts and underwrite personal automobile insurance coverage (ranging from preferred to nonstandard risks), homeowners insurance coverage, and selected commercial insurance and reinsurance coverage. 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. We underwrite and market nonstandard, standard, and preferred-risk physical damage and liability insurance coverages for passenger automobiles, motorcycles, recreational vehicles, and commercial automobiles through independent agency, direct response, and internet channels. Additionally, we market private-label insurance through a long-term agency relationship with Homesite Insurance, a national provider of home insurance products. We provide commercial insurance, primarily covering dealers wholesale vehicle inventory, and reinsurance products. Internationally, ABA Seguros provides certain commercial business insurance exclusively in Mexico.

Other operations consist of our Commercial Finance Group, an equity investment in Capmark (our former commercial mortgage operations), certain corporate activities related to mortgage activities, and reclassifications and eliminations between the reporting segments.

Restatement of Condensed Consolidated Financial Statements

This MD&A considers the effects of the restatement described in Notes 1 and 2 to our Condensed Consolidated Financial Statements.

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Consolidated Results of Operations

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

	Three months ended September 30,			Nine months ended September 30,		
($ in millions)	**2007**	2006	**2007-2006 % change**	**2007**	2006	**2007-2006 % change**
Revenue						
Total financing revenue	**$5,381**	$5,932	**(9)**	**$15,994**	$17,402	**(8)**
Interest expense	**(3,715)**	(3,899)	**(5)**	**(11,122)**	(11,734)	**(5)**
Provision for credit losses	**(964)**	(503)	**92**	**(2,075)**	(937)	**121**
Net financing revenue	**702**	1,530	**(54)**	**2,797**	4,731	**(41)**
Net loan servicing income	**425**	128	**232**	**1,086**	666	**63**
Insurance premiums and service revenue earned	**1,143**	1,045	**9**	**3,235**	3,107	**4**
(Loss) gain on sale of mortgage and automotive loans, net	**(320)**	352	**(191)**	**42**	1,220	**(97)**
Investment income	**13**	525	**(98)**	**548**	1,079	**(49)**
Gain on sale of equity method investments, net					411	**(100)**
Other income	**602**	965	**(38)**	**2,255**	2,952	**(24)**
Total net financing revenue and other income	**2,565**	4,545	**(44)**	**9,963**	14,166	**(30)**
Depreciation expense on operating lease assets	**(1,276)**	(1,400)	**(9)**	**(3,530)**	(4,185)	**(16)**
Insurance losses and loss adjustment expenses	**(659)**	(580)	**14**	**(1,795)**	(1,830)	**(2)**
Impairment of goodwill and other intangible assets	**(455)**	(840)	**(46)**	**(455)**	(840)	**(46)**
Other expense	**(1,839)**	(1,715)	**7**	**(5,550)**	(5,435)	**2**
Income (loss) before income tax benefit (expense)	**(1,664)**	10	**n/m**	**(1,367)**	1,876	**(173)**
Income tax benefit (expense)	**68**	(183)	**(137)**	**(241)**	(766)	**(69)**
Net income (loss)	**($1,596)**	($173)	**n/m**	**($1,608)**	$1,110	**(245)**

n/m = not meaningful

We reported a net loss of $1.6 billion for the three months ended September 30, 2007, compared to a net loss of $173 million for the same period in 2006, and a net loss of $1.6 billion for the nine months ended September 30, 2007,

compared to net income of $1.1 billion for the same period in 2006. These results reflect the continued adverse effects of the global dislocation in the mortgage and credit markets on ResCap, which more than offset the continued strong performance in our automotive finance and insurance businesses. ResCap results continue to be adversely affected by domestic economic conditions, including increases in delinquencies and significant deterioration in the securitization and residential housing markets. In addition, during the three months ended September 30, 2007, ResCap was also affected by a downturn in certain foreign mortgage credit markets. This dislocation of the mortgage and credit markets has contributed to a lack of liquidity, depressed asset valuations, additional loss provisions related to credit deterioration, and lower production levels.

Total financing revenue decreased by 9% and 8% in the three months and nine months ended September 30, 2007, compared to the same periods in 2006, primarily due to decreases experienced by ResCap as a result of declines in nonprime asset balances and an increase in nonaccrual loans due to unfavorable market conditions. In addition, our North American Automotive Finance operations experienced

decreases in consumer finance revenue due to a lower asset base, as a result of increased securitization and whole-loan sale activity. Operating lease income declined 9% in the three months ended September 30, 2007, and 14% in the first nine months of 2007, as compared to 2006, due to a reduction in our operating lease portfolio that was primarily driven by the transfer of operating lease assets to GM during November 2006, as part of the Sale Transactions. Similarly, depreciation expense on operating lease assets decreased 9% in the three months ended September 30, 2007, and 16% in the first nine months of 2007, compared to the same periods in 2006, as a result of this reduction.

Interest expense decreased 5% in the three months and nine months ended September 30, 2007, compared to the same periods in 2006. For both periods, this reduction was primarily due to lower levels of outstanding debt and a reduction in the level of the unfavorable impact of mark-to-market adjustments on certain cancelable swaps, which economically hedge callable debt. The decrease during the three months ended September 30, 2007, in comparison with the same period in 2006, was also due to the absence of a 2006 debt tender offer in our North American Automotive Finance operations, which resulted in a $220 million pretax charge in 2006.

The provision for credit losses increased 92% and 121% in the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. The increases were driven by the continued deterioration in the domestic housing market that resulted in more instances of loss, higher loss severity, and higher delinquencies at ResCap. The increase for the three months ended September 30, 2007, in comparison with 2006, was slightly offset by a decrease in the provision for loan losses for our North American Automotive Finance operations due to lower on-balance sheet receivables. Lower balance sheet receivable levels within our North American Automotive Finance operations are due to lower production levels, compared to 2006 levels, and the sale or securitization of $11.3 billion of consumer finance receivables during the three months ended September 30, 2007.

Net loan servicing income increased 232% and 63% in the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. These increases were attributable to higher average primary and master servicing portfolios at ResCap as well as increased asset securitization activity and whole-loan sales by our automotive finance business in comparison with 2006 levels.

Insurance premiums and service revenue increased 9% and 4% in the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. Written premium and service revenue increased for both periods, primarily due to growth internationally, both organically and through the second quarter acquisition of Provident Insurance, and growth in the U.S. reinsurance business. The increases were partially offset by challenging conditions in the domestic personal insurance and extended service contract business.

The net loss on sale of mortgage and automotive loans was $320 million for the three months ended September 30, 2007, as compared to a net gain of $352 million for the same period in 2006, and a net gain of $42 million for the nine months ended September 30, 2007, compared to a net gain of $1.2 billion for the same period in 2006. The decreases are primarily attributable to lower investor demand and lack of domestic and foreign market liquidity adversely affecting ResCap. As a result, the pricing for various loan product types continued to deteriorate in the first nine months of 2007, as investor uncertainty remained high concerning the performance of these loans. These trends were partially offset by higher gains realized by our North American Automotive Finance operations on the sale of retail installment contracts for both periods.

Investment income was $13 million for the three months ended September 30, 2007, as compared to $525 million for the same period in 2006, and $548 million for the nine months ended September 30, 2007, compared to $1.1 billion for the same period in 2006. The decreases are primarily due to the decline in the fair value of retained interests held by ResCap resulting from increasing loss, discount rate, and prepayment speed assumptions associated with the stress

in the domestic and foreign mortgage markets.

The decrease in gain on sale of equity method investments, net, relates entirely to a gain on sale of ResCap s equity investment in a regional homebuilder in the three months ended June 30, 2006. We have realized no similar gains in 2007.

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Other income decreased 38% and 24% in the three and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. The declines are due to decreases in interest and service fees from lending activity with GM, losses recorded by ResCap on land contracts and model homes, and lower income from investments accounted for using the equity method.

Insurance losses and loss adjustment expenses increased 14% in the three months ended September 30, 2007, respectively, as compared to the same period in 2006. The increase is primarily due to increases in our international operations, including Provident Insurance, and weather-related losses. These increases were partially offset by lower loss experience in our U.S. extended service contract and personal insurance businesses driven by lower volumes. Insurance losses and loss adjustment expenses have been relatively flat for the nine months ended September 30, 2007, as compared to the same period in 2006.

The impairment of goodwill charge of $455 million during the three months ended September 30, 2007, was the result of an interim impairment test performed at our ResCap business. Refer to Note 10 of the Notes to Condensed Consolidated Financial Statements for more details. We recorded a charge of $840 million during the three months ended September 30, 2006, relating to the impairment of goodwill and intangible assets at our Commercial Finance operations.

Our consolidated tax expense decreased 137% and 69% for the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006, primarily due to the mix of earnings in pass-through entities and non-pass-through entities. Results for the first nine months of 2007 reflect a change in tax status for certain of our subsidiaries due to the conversion of a number of our unregulated U.S. subsidiaries to pass-through LLCs in conjunction with the Sale Transactions. These domestic subsidiaries are generally not taxed at the entity level and, therefore, our effective tax rate on a consolidated basis is significantly lower for the nine months ended September 30, 2007, in comparison with the same periods in 2006. The primary reason is that the majority of the net loss experienced at ResCap in the first nine months of 2007 is attributable to its U.S. LLCs and goodwill impairment charge. No tax benefits for these losses are recorded. Excluding ResCap, the consolidated effective tax rate is approximately 13%, which represents the provision for taxes at our non-LLC subsidiaries combined with taxable income that is not subject to tax at our LLC subsidiaries. The effective tax rates applicable to our non-LLC subsidiaries remain comparable with 2006.

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Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our Automotive Finance operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reporting segments.

	Three months ended September 30,			**Nine months ended September 30,**		
($ in millions)	**2007**	2006	**2007-2006 % change**	**2007**	2006	**2007-2006 % change**
Revenue						
Consumer	**$1,378**	$1,461	**(6)**	**$4,164**	$4,258	**(2)**
Commercial	**456**	399	**14**	**1,280**	1,187	**8**
Operating leases	**1,893**	2,079	**(9)**	**5,190**	6,028	**(14)**
Total financing revenue	**3,727**	3,939	**(5)**	**10,634**	11,473	**(7)**
Interest expense	**(2,061)**	(2,181)	**(6)**	**(6,104)**	(6,908)	**(12)**
Provision for credit losses	**(85)**	(155)	**(45)**	**(323)**	(313)	**3**
Net financing revenue	**1,581**	1,603	**(1)**	**4,207**	4,252	**(1)**
Servicing fees	**97**	58	**67**	**313**	176	**78**
Net gain on the sale of loans	**250**	115	**117**	**673**	298	**126**
Investment income	**162**	152	**7**	**363**	387	**(6)**
Other income	**460**	601	**(23)**	**1,396**	1,925	**(27)**
Total net automotive financing revenue and other income	**2,550**	2,529	**1**	**6,952**	7,038	**(1)**
Depreciation expense on operating leases	**(1,276)**	(1,394)	**(8)**	**(3,529)**	(4,176)	**(15)**
Noninterest expense	**(735)**	(632)	**16**	**(2,015)**	(1,963)	**3**
Income tax (expense) benefit	**(20)**	(183)	**(89)**	**(109)**	(255)	**(57)**
Net income	**$519**	$320	**62**	**$1,299**	$644	**102**
Total assets	**$167,232**	$174,748	**(4)**			

Net income increased to $519 million and $1.3 billion for the three months and nine months ended September 30, 2007, respectively, as compared to $320 million and $644 million, respectively, for the same periods in 2006. North American operations benefited from higher gains on sales and servicing fee income due to continued off-balance sheet securitization and whole-loan sale activity, which also favorably impacted the provision for credit

losses. During the three months ended September 30, 2007, $11.3 billion of consumer finance receivables were sold or securitized resulting in $131 million in gains. In addition, primarily due to our election to be treated as a disregarded or pass-through entity as a result of our conversion to an LLC in November 2006, a federal tax provision is no longer required for the majority of the U.S. Automotive Finance operations.

Total financing revenue decreased 5% and 7% for the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. The decrease in consumer revenue resulted from a reduction in consumer asset levels in our North American operations since September 30, 2006, as a result of increased securitization and whole-loan sale activity. Operating lease revenue (along with the related depreciation expense) decreased for the three months and nine months ended September 30, 2007, compared to the same periods in 2006, consistent with a decrease in the size of the operating lease portfolio (approximately 12% since September 2006), which was primarily a result of the dividend of certain operating lease assets to GM pursuant to the terms and conditions of the Sale Transactions. These decreases in financing revenue during the three months and nine months ended September 30, 2007 were partially offset by improved results in our International operations and an increase in commercial revenue. Improvements in our

International operations were driven by growth in the loan and lease portfolio and favorable foreign currency adjustments. The increase in commercial revenue was primarily due to the impact of refinancing certain off-balance sheet wholesale securitization transactions with on-balance sheet financing.

Interest expense decreased 6% and 12% for the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. For both periods this reduction was primarily due to lower levels of unsecured debt as a result of lower asset balances and the absence of a debt tender offer (the tender offer in 2006 resulted in a $220 million pretax charge). In addition, the decrease during the three months ended September 30, 2007, was partially offset by the less favorable impact in 2007 of mark-to-market adjustments on certain cancelable swaps, which compares unfavorably to 2006 when hedge accounting was not applied.

Our provision for credit losses decreased 45% during the three months ended September 30, 2007, compared to the same period during 2006, while increasing 3% for the nine months ended September 30, 2007, compared to the same period during 2006. The decrease during the three months ended September 30, 2007, was driven by lower on-balance sheet consumer finance receivables in our North American operations, partially offset by an increased provision for assets remaining on-balance sheet as a result of underlying credit trends, the sale of assets with higher quality, and a slight increase in the provision for credit losses of our International operations. The provision expense for the nine months ended September 30, 2007, was relatively consistent with the same period in 2006. The provision for our North American operations declined as a result of lower on-balance sheet consumer receivable levels. The decline was more than offset by increased provision expense for our International operations.

Net gain on the sale of loans increased 117% and 126% for the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. The increase was primarily a result of an increase in whole-loan and off-balance sheet securitization activity of consumer finance receivables in our North American operations. For the nine months ended September 30, 2007, our North American operations executed approximately $21.0 billion in whole-loan and off-balance sheet securitization transactions, compared to $16.7 billion during the same period in 2006. Additionally, the interest rate environment resulted in more favorable gains in 2007 than recognized in 2006. Refer to the Funding and Liquidity section of this MD&A for further discussion. As a result of the growth in the off-balance sheet portion of the serviced portfolio, servicing fees increased 67% and 78% during the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006.

Investment income increased 7% during the three months ended September 30, 2007, compared to the same period during 2006, while decreasing 6% for the nine months ended September 30, 2007, compared to the same period during 2006. The increase during the three months ended September 30, 2007, was largely driven by an increase in retained interests within the investment securities balance, as a result of increased securitization activity.

Other income decreased 23% and 27% for the three and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006, due to lower revenue on GM loans and intercompany loans due to lower lending levels for both periods, which resulted in lower interest income as a result of a decrease in the average balance of cash and cash equivalents. In addition, noninterest expenses increased 16% and 3% for the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. The increase during both periods was primarily attributed to an increase in charges from GM and other affiliates as specified in the agreement executed when GM sold their controlling interest in GMAC. The increase was also attributed to a favorable one-time foreign currency adjustment recorded in 2006 by our North American operations, which reduced noninterest expense and was absent in the 2007 results.

Total income tax expense decreased by $163 million and $146 million for the three and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006, primarily due to our conversion to an

LLC and election to be treated as a pass-through entity in November 2006. As a result of the elections, a federal tax provision is no longer required for the majority of the U.S. Automotive Finance operations.

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Our North American Automotive Finance operations is moving to an originate and sell model, which is intended to reduce our retained risk position and provide us with added liquidity. The gains on the sale of loans realized during the three months ended September 30, 2007, were largely attributable to this change in strategy and shifted the earnings from financing revenues that would have been generated in the future to current gains on sales.

Automotive Financing Volume

The following table summarizes our new and used vehicle consumer and wholesale financing volume and our share of GM consumer and wholesale volume.

	Three months ended September 30,				Nine months ended September 30,			
	GMAC volume		Share of GM sales		GMAC volume		Share of GM sales	
(units in thousands)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Consumer automotive financing								
GM new vehicles								
North America								
Retail contracts	**228**	418	**27%**	45%	**642**	825	**26%**	32%
Leases	**152**	162	**18%**	17%	**451**	495	**19%**	19%
Total North America	**380**	580	**45%**	62%	**1,093**	1,320	**45%**	51%
International (retail contracts and leases)	**142**	127	**24%**	24%	**422**	390	**24%**	24%
Total GM new units financed	**522**	707	**36%**	48%	**1,515**	1,710	**36%**	41%
Non-GM new units financed	**31**	18			**81**	52		
Used units financed	**138**	92			**392**	286		
Total consumer automotive financing volume	**691**	817			**1,988**	2,048		
Wholesale financing of new vehicles								
GM vehicles								
North America	**756**	785	**78%**	76%	**2,382**	2,626	**76%**	76%
International	**710**	606	**87%**	84%	**2,138**	1,954	**88%**	87%
	1,466	1,391	**82%**	79%	**4,520**	4,580	**81%**	80%

Total GM units financed				
Non-GM units financed	**45**	34	**135**	107
Total wholesale volume	**1,511**	1,425	**4,655**	4,687

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. Our North American penetration levels during the three and nine months ended September 30, 2007, were lower than what was experienced in 2006, mainly due to certain consumer retail financing incentives offered in the third quarter of 2006 that resulted in significant increases in comparison to historical experience. The consumer penetration levels of our International operations were consistent with 2006.

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Allowance for Credit Losses

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

Three months ended September 30,	**2007**			2006		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Balance at July 1,	**$1,366**	**$66**	**$1,432**	$1,467	$70	$1,537
Provision for credit losses	**90**	**(5)**	**85**	156	(1)	155
Charge-offs	**(215)**	**(1)**	**(216)**	(217)	(5)	(222)
Recoveries	**48**		**48**	45	1	46
Other	**8**	**1**	**9**	5	2	7
Balance at September 30,	**$1,297**	**$61**	**$1,358**	$1,456	$67	$1,523
Allowance coverage (a)	**2.83%**	**0.23%**	**1.87%**	2.21%	0.27%	1.68%

(a) Represents the related allowance for credit losses as a percentage of total on-balance sheet automotive retail contracts excluding loans held for sale.

Nine months ended September 30,	**2007**			2006		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Balance at January 1,	**$1,460**	**$69**	**$1,529**	$1,618	$86	$1,704
Provision for credit losses	**325**	**(2)**	**323**	332	(19)	313
Charge-offs	**(653)**	**(8)**	**(661)**	(653)	(6)	(659)
Recoveries	**157**	**2**	**159**	147	1	148
Other	**8**		**8**	12	5	17
Balance at September 30,	**$1,297**	**$61**	**$1,358**	$1,456	$67	$1,523
Allowance coverage (a)	**2.83%**	**0.23%**	**1.87%**	2.21%	0.27%	1.68%

(a) Represents the related allowance for credit losses as a percentage of total on-balance sheet automotive retail contracts excluding loans held for sale.

The consumer allowance for credit losses was $1.3 billion and $1.5 billion as of September 30, 2007 and 2006, respectively. Decreases in the level of allowance from 2006 levels are reflective of proportional decreases in the on-balance sheet consumer portfolio over the same period. The consumer portfolio incurred net charge-offs for the three months ended September 30, 2007 and 2006, of $167 million and $172 million, respectively. Net charge-offs for the nine months ended September 30, 2007 and 2006, were $496 million and $506 million, respectively.

Despite the overall decline in the level of the allowance, the allowance for credit losses as a percentage of the total on-balance sheet consumer portfolio experienced an increase in comparison with 2006. The comparison is unfavorable in 2007 due to the impact of the increased use of off-balance sheet securitizations and whole-loan sales activity within our North American operations. The process of creating a pool of retail finance receivables for securitization or sale typically excludes accounts that are greater than 30 days delinquent at that time. In addition, the process involves selecting from a pool of receivables that are currently outstanding and, therefore, represent seasoned accounts. A seasoned portfolio that excludes delinquent accounts historically results in better credit performance than in the on-balance sheet portfolio of retail finance receivables on which the allowance for credit losses is based.

Consumer Credit

The following tables summarize pertinent loss experience in the consumer managed and on-balance sheet automotive retail contract portfolios. The managed portfolio includes retail receivables held on-balance sheet for investment and off-balance sheet receivables. The off-balance sheet portion of the managed portfolio includes receivables securitized and sold that we continue to service and in which we retain an interest or risk

of loss but excludes securitized and sold finance receivables 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 in the Condensed Consolidated Balance Sheet, retail contracts presented in the table represent the principal balance of the finance receivables discounted for any unearned interest income and rate support received from GM.

Three months ended September 30, *($ in millions)*	**Average retail contracts**	**Charge-offs, net of recoveries (a)**		**Annualized net charge-off rate**	
	2007	**2007**	2006	**2007**	2006
Managed					
North America (b)	**$49,520**	**$147**	$135	**1.19%**	1.19%
International	**17,295**	**23**	33	**0.53%**	0.86%
Total managed	**$66,815**	**$170**	$168	**1.02%**	1.12%
On-balance sheet					
North America	**$41,356**	**$139**	$132	**1.34%**	1.28%
International	**17,295**	**23**	33	**0.53%**	0.86%
Total on-balance sheet	**$58,651**	**$162**	$165	**1.10%**	1.18%

(a) Net charge-offs exclude amounts related to the lump-sum payments on balloon finance contracts. The amount totaled $5 million and $7 million for the three months ended September 30, 2007 and 2006.

(b) North America 2006 annualized charge-offs, net of recoveries, includes $30 million of certain expenses related to repossessed vehicles, which are included in other operating expenses on the Condensed Consolidated Statement of Income.

Nine months ended September 30, *($ in millions)*	**Average retail contracts**	**Charge-offs, net of recoveries (a)**		**Annualized net charge-off rate**	
	2007	**2007**	2006	**2007**	2006
Managed					
North America (b)	**$49,753**	**$435**	$416	**1.17%**	1.15%
International	**16,864**	**72**	82	**0.57%**	0.72%
Total managed	**$66,617**	**$507**	$498	**1.02%**	1.06%
On-balance sheet					
North America	**$42,688**	**$417**	$409	**1.30%**	1.25%
International	**16,864**	**72**	82	**0.57%**	0.72%

Total on-balance sheet	**$59,552**	**$489**	$491	**1.10%**	1.13%

(a) Net charge-offs exclude amounts related to the lump-sum payments on balloon finance contracts. The amount totaled $7 million and $15 million for the nine months ended September 30, 2007 and 2006.

(b) North America 2006 annualized charge-offs, net of recoveries, includes $70 million of certain expenses related to repossessed vehicles, which are included in other operating expenses on the Condensed Consolidated Statement of Income.

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

	Percent of retail contracts 30 days or more past due (a)			
	Managed		On-balance sheet	
September 30,	**2007**	2006	**2007**	2006
North America	**2.52%**	2.46%	**2.80%**	2.68%
International	**2.56%**	2.64%	**2.56%**	2.64%
Total	**2.53%**	2.51%	**2.71%**	2.67%

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

Credit fundamentals in our North American consumer automotive portfolio deteriorated in the third quarter of 2007, with delinquencies in the North American portfolio increasing as compared to 2006. We believe the increase in delinquency trends is the result of deterioration in general economic conditions, with certain geographic regions experiencing more deterioration than others. International consumer credit portfolio performance remains strong, as delinquencies have declined compared to prior year levels.

In addition to the preceding loss and delinquency data, the following table summarizes bankruptcies and repossession information for the U.S. consumer automotive retail contract portfolio (which represents approximately 27% and 58% of our on-balance sheet consumer automotive retail contract portfolio as of September 30, 2007 and 2006, respectively).

	Managed		On-balance sheet	
Three months ended September 30,	**2007**	2006	**2007**	2006
Average retail contracts in bankruptcy *(in units)* (a)	**57,445**	83,103	**55,522**	82,680
Bankruptcies as a percent of average number of contracts outstanding	**2.04%**	2.49%	**2.41%**	2.63%
Retail contract repossessions *(in units)*	**19,307**	21,904	**17,787**	21,536
Annualized repossessions as a percent of average number of contracts outstanding	**2.77%**	2.61%	**3.11%**	2.71%

(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,	**2007**	2006	**2007**	2006

Average retail contracts in bankruptcy *(in units)* (a)	**62,105**	93,433	**60,654**	92,403
Bankruptcies as a percent of average number of contracts outstanding	**2.14%**	2.70%	**2.47%**	2.83%
Retail contract repossessions *(in units)*	**54,995**	68,469	**51,694**	67,500
Annualized repossessions as a percent of average number of contracts outstanding	**2.54%**	2.62%	**2.82%**	2.74%

(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.

New bankruptcy filings in the United States increased dramatically in October 2005, before the change in bankruptcy laws that made it more difficult for some consumers to qualify for certain protections under prior bankruptcy laws. After this change in bankruptcy laws, we experienced a decrease in bankruptcy filings during 2006, as well as the three months and nine months ended September 30, 2007. Consistent with the rise in delinquency trends, we also experienced higher repossessions for the three months ended September 30, 2007, as compared to the same period in 2006.

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Commercial Credit

Our credit risk on the commercial portfolio is considerably different from that of our consumer portfolio. Whereas the consumer portfolio represents a homogenous pool of retail contracts that exhibit fairly predictable and stable loss patterns, the commercial portfolio exposures are less predictable. In general, the credit risk of the commercial portfolio is tied to overall economic conditions in the countries in which we operate, as well as the particular circumstances of individual borrowers.

At September 30, 2007, the only commercial receivables that had been securitized and accounted for as off-balance sheet transactions represent wholesale lines of credit extended to automotive dealerships, which historically experience low charge-offs. As a result, the amount of charge-offs on our managed portfolio is similar to the on-balance sheet portfolio, and only the on-balance sheet commercial portfolio credit experience is presented in the following table.

	Total loans	**Impaired loans (a)**		
($ in millions)	**Sept 30, 2007**	**Sept 30, 2007**	Dec 31, 2006	Sept 30, 2006
Wholesale	**$22,773**	**$46**	$338	$317
		0.20%	1.64%	1.52%
Other commercial financing	**4,122**	**10**	52	46
		0.24%	1.35%	1.19%
Total on-balance sheet	**$26,895**	**$56**	$390	$363
		0.21%	1.60%	1.47%

(a) Includes loans where it is probable that we will be unable to collect all amounts due according to the terms of the loan.

The decline in impaired loans since December 2006 is the result of the resolution of a particular dealer account, which did not result in a charge-off of loans previously provided for. Charge-offs on the wholesale portfolio remained at traditionally low levels in the three months and nine months ended September 30, 2007, as these receivables are generally secured by vehicles, real estate, and other forms of collateral, which help mitigate losses on such loans in the event of default.

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ResCap Operations

Results of Operations

The following table summarizes the operating results for ResCap for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reporting segments.

	Three months ended September 30,			Nine months ended September 30,		
($ in millions)	**2007**	2006	**2007-2006 % change**	**2007**	2006	**2007-2006 % change**
Revenue						
Total financing revenue	**$1,565**	$1,878	**(17)**	**$5,106**	$5,399	**(5)**
Interest expense	**(1,626)**	(1,704)	**(5)**	**(4,938)**	(4,697)	**5**
Provision for credit losses	**(881)**	(239)	**269**	**(1,749)**	(484)	**261**
Net financing (loss) revenue	**(942)**	(65)	**n/m**	**(1,581)**	218	**n/m**
Mortgage servicing fees	**451**	401	**12**	**1,351**	1,162	**16**
Servicing asset valuation and hedge activities, net	**(123)**	(331)	**(63)**	**(578)**	(688)	**(16)**
Net loan servicing income	**328**	70	**369**	**773**	474	**63**
Net (loss) gain on the sale of loans	**(570)**	237	**(341)**	**(631)**	879	**(172)**
Other income	**(139)**	551	**(125)**	**593**	1,737	**(66)**
Impairment of goodwill	**(455)**			**(455)**		
Noninterest expense	**(617)**	(644)	**(4)**	**(2,149)**	(1,941)	**11**
Income tax benefit (expense)	**134**	(66)	**(303)**	**25**	(534)	**(105)**
Net income (loss)	**($2,261)**	$83	**n/m**	**($3,425)**	$833	**n/m**
Total assets	**$108,510**	$132,490	**(18)**			

n/m = not meaningful

ResCap experienced a net loss of $2.3 billion for the three months ended September 30, 2007, compared to net income of $83 million for the same period in 2006, and a net loss of $3.4 billion for the nine months ended September 30, 2007, compared to net income of $833 million for the same period in 2006. The 2007 results continue to be adversely affected by domestic economic conditions, including delinquency increases in the mortgage loans held for investment portfolio and a significant deterioration in the securitization and residential housing markets. In addition, during the three months ended September 30, 2007, a downturn was experienced in certain foreign mortgage credit markets. The dislocation of the mortgage credit markets has continued due to a lack of liquidity, depressed asset valuations, additional loss provisions related to credit deterioration, and lower production levels.

A net financing loss of $942 million and $1.6 billion was incurred in the three months and nine months ended September 30, 2007, respectively, as compared to a net financing loss of $65 million and net financing revenue of $218 million for the same periods in 2006. Total financing revenue decreased for the three months and nine months ended September 30, 2007, compared to the same periods in 2006, due primarily to a decline in nonprime asset balances and an increase in nonaccrual loans due to unfavorable market conditions. The three months ended September 30, 2006, were also affected by lower warehouse lending balances, and the nine months ended September 30, 2007, were affected by a decline in lending receivable assets. The increase in interest expense in the nine months ended September 30, 2007 was primarily driven by an increase in our cost of funds due to a credit downgrade and an increase in balances funded by higher unsecured debt cost.

The provision for credit losses increased to $881 million and $1.7 billion in the three and nine months ended September 30, 2007, respectively, compared to $239 million and $484 million in the same periods in 2006. The increases for both periods were driven by the continued deterioration in the domestic housing

market, which resulted in higher loss severity, and an increase in estimated losses related to delinquent loans. The increase in the provision for loan losses for the nine months ended September 30, 2007, was further impacted by financial stress experienced by certain warehouse-lending customers. Mortgage loans held for investment past due 60 days or more increased to 15% of the total unpaid principal balance as of September 30, 2007, from 11% at September 30, 2006.

Net loan servicing income increased 369% and 63% for the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006, due to an increase in the size and value of the mortgage servicing rights portfolio during both periods. The domestic servicing portfolio was approximately $427 billion as of September 30, 2007, representing an increase of approximately $25 billion from September 30, 2006. The value of the mortgage servicing rights increased during the three months and nine months ended September 30, 2007, primarily due to the positive impacts of servicing valuations, including derivative hedging activity results.

The net loss on the sale of loans was $570 million for the three months ended September 30, 2007, compared to a net gain on the sale of loans of $237 million for the same period in 2006, and a net loss of $631 million for the nine months ended September 30, 2007, compared to a net gain of $879 million for the same period in 2006. These decreases were primarily due to lower investor demand and lack of domestic and foreign market liquidity. As a result, the pricing for various loan product types continued to deteriorate in the first nine months of 2007, as investor uncertainty remained high regarding the performance of these loans.

Other income decreased 125% and 66% during the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. The decline for the three months ended September 30, 2007, was primarily due to market pressure and impairment charges on land contracts and model homes of $97.9 million, loss on model home sales of $11.2 million, and lower equity income of $12.8 million. The decline for the nine months ended September 30, 2007, was primarily due to impairment charges on land contracts and model homes of $126.7 million in 2007, loss on model home sales of $24.8 million, and lower equity income of $57.0 million. Additionally, the decrease for the nine months ended September 30, 2007, was due to the gain on the sale of an equity interest in a regional homebuilder that was realized during the same period in 2006 and lower income from real estate owned sales and valuations. The decrease for the nine month ended September 30, 2007, was partially offset by an increase in operating lease income.

During the three months ended September 30, 2007, goodwill impairment of $455 million was recorded as a result of an interim impairment test. Refer to Note 10 of the Notes to Condensed Consolidated Financial Statements for additional information.

Noninterest expense decreased 4% for the three months ended September 30, 2007, compared to the same period in 2006, and increased 11% for the nine months ended September 30, 2007, compared to the same period in 2006. The expense decreased for the three months ended September 30, 2007, due to a decrease in the provision for assets sold with recourse, which was partially offset by the write-off of internally developed software that was retired in the third quarter. The expense for the nine months ended September 30, 2007, increased due to an increase in the provision for assets sold with recourse and the write-off of internally developed software during the three months ended September 30, 2007.

Income tax expense decreased $200 million and $559 million during the three months and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. Nearly all significant domestic legal entities were converted to LLCs and elections were made to be treated as pass-through entities during the fourth quarter of 2006. As a result, the converted entities are no longer subject to federal and most state income taxes.

As a result of the significant mortgage and credit market dislocation and ResCap s financial performance, management announced a major restructuring of ResCap s business in order to streamline operations and significantly reduce structural costs. Specifically, ResCap will be reducing its workforce by about 25%, or approximately 3,000 associates, and closing certain facilities. Refer to Note 12 to the Condensed Consolidated Financial Statements for additional information. As a result of this restructuring, management intends for

ResCap to maintain the flexibility to quickly modify its product offerings based on changing market conditions. Although ResCap has reduced its exposure to nonprime and nonconforming loans in 2007, ResCap will selectively originate higher margin nonconforming product as secondary market distribution becomes available. Additionally, ResCap will continue to avail itself of its relationship with GMAC Bank to support its current mortgage loan production. ResCap plans to remain committed to offering a broad and competitive menu of products to its customers.

Looking ahead, the persistence of the global dislocation of the mortgage and credit markets, referred to in the Funding and Liquidity section of this MD&A, may continue to negatively affect the value of our mortgage related assets. These markets continue to experience greater volatility, less liquidity, widening of credit spreads, repricing of credit risk, and a lack of price transparency. ResCap operates in these markets with exposure to its loans, trading securities, derivatives, and lending commitments. It is difficult to predict how long these conditions will exist and which markets, products, and businesses of ResCap will continue to be affected. Accordingly, these factors could adversely impact our results of operations through at least the remainder of 2007.

Mortgage Loan Production, Sales and Servicing

ResCap s mortgage loan production for the three months ended September 30, 2007, was $29.3 billion, a decrease of 43% compared to $51.5 billion in the same period in 2006, and $101.7 billion for the nine months ended September 30, 2007, a decrease of 27% compared to $140.1 billion in the same period in 2006. ResCap s domestic loan production decreased 54% in the three months ended September 30, 2007, and 35% in the nine months ended September 30, 2007, while international loan production increased 20% and 18%, respectively, compared to the same periods in 2006. ResCap s domestic loan production decreased due to a decline in nonprime, prime-nonconforming, and prime second-lien products as a result of unfavorable market conditions. Domestic nonprime loan production totaled $185 million and $4.1 billion for the three months and nine months ended September 30, 2007, respectively, compared to $8.5 billion and $23.6 billion for the same periods in 2006. ResCap s international production increased primarily due to growth in Continental Europe.

The following summarizes mortgage loan production for the periods shown.

	Three months ended September 30,		**Nine months ended September 30,**	
($ in millions)	**2007**	2006	**2007**	2006
Consumer:				
Principal amount by product type:				
Prime conforming	**$12,174**	$12,002	**$34,425**	$32,536
Prime nonconforming	**4,606**	16,411	**26,771**	42,776
Government	**1,378**			