GMAC LLC
Form 10-Q
November 10, 2008

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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, 2008, 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, a nonaccelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

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

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

GMAC LLC

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

($ in millions)	Three months ended September 30, **2008**	2007	Nine months ended September 30, **2008**	2007
Revenue				
Consumer	**$1,690**	$2,432	**$5,275**	$7,398
Commercial	**599**	750	**1,858**	2,227
Loans held-for-sale	**246**	307	**918**	1,182
Operating leases	**2,106**	1,892	**6,344**	5,187
Total financing revenue	**4,641**	5,381	**14,395**	15,994
Interest expense	**2,906**	3,715	**8,953**	11,122
Depreciation expense on operating lease assets	**1,412**	1,276	**4,209**	3,530
Impairment of investment in operating leases	**93**		**808**	
Net financing revenue	**230**	390	**425**	1,342
Other revenue				
Servicing fees	**441**	548	**1,377**	1,664
Servicing asset valuation and hedge activities, net	**(261)**	(123)	**(36)**	(578)
Insurance premiums and service revenue earned	**1,123**	1,143	**3,355**	3,235
Gain (loss) on mortgage and automotive loans, net	**25**	(320)	**(1,674)**	42
Investment (loss) income	**(216)**	13	**(263)**	548
Other income	**373**	602	**2,255**	2,255
Total other revenue	**1,485**	1,863	**5,014**	7,166
Total net revenue	**1,715**	2,253	**5,439**	8,508
Provision for credit losses	**1,099**	964	**2,343**	2,075
Noninterest expense				
Compensation and benefits expense	**612**	628	**1,816**	1,910
Insurance losses and loss adjustment expenses	**642**	659	**1,986**	1,795
Other operating expenses	**1,967**	1,211	**4,778**	3,640
Impairment of goodwill	**16**	455	**16**	455

Total noninterest expense	**3,237**	2,953	**8,596**	7,800
Loss before income tax (benefit) expense	**(2,621)**	(1,664)	**(5,500)**	(1,367)
Income tax (benefit) expense	**(98)**	(68)	**94**	241
Net loss	**($2,523)**	($1,596)	**($5,594)**	($1,608)

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

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CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

($ in millions)	**September 30, 2008**	December 31, 2007
Assets		
Cash and cash equivalents	**$13,534**	$17,677
Investment securities	**10,661**	16,740
Loans held-for-sale	**11,979**	20,559
Finance receivables and loans, net of unearned income		
Consumer ($2,210 at fair value at September 30, 2008)	**72,925**	87,769
Commercial	**39,497**	39,745
Allowance for credit losses	**(3,132)**	(2,755)
Total finance receivables and loans, net	**109,290**	124,759
Investment in operating leases, net	**30,628**	32,348
Notes receivable from General Motors	**2,106**	1,868
Mortgage servicing rights	**4,725**	4,703
Premiums and other insurance receivables	**2,252**	2,030
Other assets	**26,152**	28,255
Total assets	**$211,327**	$248,939
Liabilities		
Debt		
Unsecured	**$72,612**	$102,339
Secured ($2,466 at fair value at September 30, 2008)	**88,019**	90,809
Total debt	**160,631**	193,148
Interest payable	**2,048**	2,253
Unearned insurance premiums and service revenue	**4,773**	4,921
Reserves for insurance losses and loss adjustment expenses	**3,080**	3,089
Deposit liabilities	**19,551**	15,281
Accrued expenses and other liabilities	**10,974**	13,432
Deferred income taxes	**1,022**	1,250
Total liabilities	**202,079**	233,374
Equity		
Members interest	**8,920**	8,912
Preferred interests	**1,052**	1,052
(Accumulated deficit) retained earnings	**(1,144)**	4,649
Accumulated other comprehensive income	**420**	952

Total equity	**9,248**	15,565
Total liabilities and equity	**$211,327**	$248,939

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

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)
Nine Months Ended September 30, 2008 and 2007

($ in millions)	Members interest	Preferred interests	(Accumulated deficit) retained earnings	Accumulated other comprehensive income	Total equity	Comprehensive income (loss)
Balance at January 1, 2007	$6,711		$7,173	$485	$14,369	
Net loss			(1,608)		(1,608)	($1,608)
Preferred interests 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)
Balance at January 1, 2008, before cumulative effect of adjustments	**$8,912**	**$1,052**	**$4,649**	**$952**	**$15,565**	
Cumulative effect of a change in accounting principle, net of tax:						
Adoption of Statement of Financial Accounting Standards No. 157 (a)			**23**		**23**	
Adoption of Statement of Financial Accounting Standards No. 159 (a)			**(178)**		**(178)**	
Balance at January 1, 2008, after cumulative effect of adjustments	**$8,912**	**$1,052**	**$4,494**	**$952**	**$15,410**	
Capital contributions	**8**				**8**	
Net loss			**(5,594)**		**(5,594)**	**($5,594)**
Dividends paid to members			**(47)**		**(47)**	
Other			**3**		**3**	
Other comprehensive loss				**(532)**	**(532)**	**(532)**
Balance at September 30, 2008	**$8,920**	**$1,052**	**($1,144)**	**$420**	**$9,248**	**($6,126)**

(a) Refer to Note 13 to the Condensed Consolidated Financial Statements for further detail.

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
Nine Months Ended September 30, 2008 and 2007

($ in millions)	**2008**	2007
Operating activities		
Net cash provided by operating activities	**$10,270**	$5,431
Investing activities		
Purchases of available-for-sale securities	**(12,096)**	(12,427)
Proceeds from sales of available-for-sale securities	**12,544**	5,065
Proceeds from maturities of available-for-sale securities	**4,369**	6,107
Net increase in finance receivables and loans	**1,071**	(44,608)
Proceeds from sales of finance receivables and loans	**1,329**	65,700
Purchases of operating lease assets	**(9,781)**	(13,305)
Disposals of operating lease assets	**5,551**	3,878
Sales of mortgage servicing rights	**484**	165
Net increase in notes receivable from General Motors	**(348)**	(96)
Acquisitions of subsidiaries, net of cash acquired		(289)
Other, net	**426**	1,286
Net cash provided by investing activities	**3,549**	11,476
Financing activities		
Net decrease in short-term debt	**(15,565)**	(8,459)
Net increase in bank deposits	**4,053**	3,074
Proceeds from issuance of long-term debt	**37,340**	60,870
Repayments of long-term debt	**(44,181)**	(65,999)
Dividends paid	**(82)**	(126)
Other, net (a)	**189**	2,376
Net cash used in financing activities	**(18,246)**	(8,264)
Effect of exchange rate changes on cash and cash equivalents	**284**	(179)
Net (decrease) increase in cash and cash equivalents	**(4,143)**	8,464
Cash and cash equivalents at beginning of year	**17,677**	15,459
Cash and cash equivalents at September 30,	**$13,534**	$23,923

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of Presentation

GMAC LLC 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 (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 terms GMAC, the Company, we, our, and us refer to GMAC LLC and its subsidiaries consolidated entity, except where it is clear that the terms mean only GMAC LLC.

The Condensed Consolidated Financial Statements as of September 30, 2008, and for the three and nine months ended September 30, 2008 and 2007, are unaudited but, in management s opinion, include all adjustments consisting of normal recurring adjustments necessary for the 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, 2007, filed with the United States Securities and Exchange Commission (SEC) on February 27, 2008.

Our funding strategy and liquidity position have been adversely affected by the ongoing stress in the credit markets that began in the middle of 2007 and reached unprecedented levels during recent months. The capital markets remain highly volatile, and our access to liquidity has been significantly reduced. These conditions, in addition to the reduction in our credit ratings, have resulted in increased borrowing costs and our inability to access the unsecured debt markets in a cost-effective manner. Furthermore, we have regular renewals of outstanding bank loans and credit facilities. Although our material committed facilities due to mature in the third quarter were renewed, albeit at revised terms, some facilities have not renewed placing additional pressure on our liquidity position. Our inability to renew the remaining loans and facilities as they mature could have a further negative impact on our liquidity position. We also have significant maturities of unsecured notes each year. In addition, a significant portion of our customers are those of GM, GM dealers, and GM-related employees. As a result, a significant adverse change in GM s business or financial position could have a an adverse effect on our profitability and financial condition.

Our business continues to be affected by these conditions and has led us to take several actions to manage resources during this volatile environment. Certain of these steps have included the following: aligning automotive originations with available committed funding sources in the United States and abroad; streamlining operations to suit the current business plans; growing GMAC Bank within applicable regulatory guidelines; reducing risk in the balance sheet; and divesting select non-core operations. We are also focused on pursuing strategies to increase flexibility and access to liquidity with the primary focus of continuing to support automotive dealers and customers. Ongoing initiatives include participating in the Federal Reserve s commercial paper purchase program through our asset-backed conduit, New Center Asset Trust (NCAT), and evaluating the use of other government programs, such as the Troubled Asset Relief Program (the TARP). Furthermore, we are engaging in discussions with federal regulatory authorities regarding bank holding company status. We also may commence a private offer to exchange a significant amount of outstanding indebtedness for a reduced principal amount of new indebtedness. If unanticipated market factors emerge or we are unable to successfully execute some or all of our current plans, it could have a material adverse effect on our liquidity, operations, and/or financial position.

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Residential Capital, LLC (ResCap), our mortgage subsidiary, has been negatively impacted by the events and conditions in the mortgage banking industry and the broader economy. The market deterioration has led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap s operations. Most recently, the widely publicized credit defaults and/or acquisitions of large financial institutions in the marketplace has further restricted credit in the United States and international lending markets. ResCap is highly leveraged relative to its cash flow and continues to recognize substantial losses resulting in a significant deterioration in capital. On September 30, 2008, GMAC forgave $197 million of ResCap s debt owed to GMAC, which resulted in an increase to ResCap s tangible net worth of the same amount. Accordingly, ResCap s consolidated tangible net worth, as defined, was $350 million as of September 30, 2008, and remained in compliance with its credit facility financial covenants, among other covenants, requiring it to maintain a monthly consolidated tangible net worth of $250 million. For this purpose, consolidated tangible net worth is defined as ResCap s consolidated equity, excluding intangible assets and any equity in GMAC Bank to the extent included in ResCap s consolidated balance sheet. There continues to be a risk that ResCap will not be able to meet its debt service obligations, default on its financial debt covenants due to insufficient capital, and/or be in a negative liquidity position in 2008.

ResCap actively manages its liquidity and capital positions and is continually working on initiatives to address its debt covenant compliance and liquidity needs, including debt maturing in the next twelve months and the identified risks and uncertainties. The accompanying Condensed Consolidated Financial Statements continue to reflect ResCap on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

ResCap s initiatives include, but are not limited to, the following: continue to work with all of its key credit providers to optimize all available liquidity options; continued reduction of assets and other restructuring activities; focused production on government and prime conforming products; exploration of strategic alternative such as alliances, joint ventures, and other transactions with third parties; pursuit of possible liquidity and capital benefits from the TARP; and continued exploration of opportunities for funding and capital support from GMAC and its affiliates. Most of these initiatives are outside of ResCap s control resulting in an increased uncertainty to their successful execution. There are currently no substantive binding contracts, agreements or understandings with respect to any particular transaction outside the normal course of business.

ResCap remains heavily dependent on GMAC and its affiliates for funding and capital support and there can be no assurance that GMAC or its affiliates will continue such actions. If additional financing or capital were to be obtained from GMAC, its affiliates, and/or third parties, the terms may contain covenants that restrict ResCap s freedom to operate its business. Additionally, ResCap s ability to participate in any governmental investment program or the TARP, either directly or indirectly through GMAC, is unknown at this time.

In light of ResCap s liquidity and capital needs, combined with volatile conditions in the marketplace, there is substantial doubt about ResCap s ability to operate as a going concern. If GMAC no longer continues to support the capital or liquidity needs of ResCap or ResCap is unable to successfully execute its other initiatives, it would have a material adverse effect on ResCap s business, results of operations, and financial position.

Recently Adopted Accounting Standards

SFAS No. 157 On January 1, 2008, we adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 provides a definition of fair value, establishes a framework for measuring fair value under GAAP, and requires expanded disclosures about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value; therefore, it does not expand the use of fair value in any new circumstance. We adopted SFAS 157 on a prospective basis. SFAS 157 required retrospective adoption of the rescission of Emerging Issues Task Force Issue No. 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* (EITF 02-3), and certain other guidance. The impact of adopting SFAS 157 and the rescission of EITF 02-3 on January 1, 2008, was an increase to beginning retained earnings through a cumulative effect of a change in accounting principle of approximately $23 million, related

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to the recognition of day-one gains on purchased mortgage servicing rights (MSRs) and certain residential loan commitments. Refer to Note 13 to the Condensed Consolidated Financial Statements for further detail.

SFAS No. 158 In September 2006, the Financial Accounting Standards Board (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 accumulated other 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. During the year ended December 31, 2007, we adopted the recognition and disclosure elements of SFAS 158, which did not have a material effect on our consolidated financial position, results of operations, or cash flows. In addition, we will adopt the measurement elements of SFAS 158 for the year ending December 31, 2008. We do not expect the adoption of the measurement elements to have a material impact on our consolidated financial condition or results of operations.

SFAS No. 159 On January 1, 2008, we adopted 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 are 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. We elected to measure at fair value certain financial assets and liabilities, including certain collateralized debt obligations and certain mortgage loans held-for-investment in financing securitization structures. The cumulative effect to beginning retained earnings was a decrease through a cumulative effect of a change in accounting principle of approximately $178 million on January 1, 2008. Refer to Note 13 to the Condensed Consolidated Financial Statements for further detail.

FASB Staff Position (FSP) FIN 39-1 On January 1, 2008, we adopted FSP FIN 39-1, *Amendment of FAS Interpretation No. 39* (FSP FIN 39). FSP FIN 39-1 defines right of setoff and specifies what conditions must be met 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 requires an entity to make an election related to the 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 without regard to the company s intent to settle the transactions on a net basis. We have elected to present these items gross; therefore, upon adoption of FSP FIN 39-1, we increased December 31, 2007, other assets and other liabilities equally by approximately $1.2 billion.

SEC Staff Accounting Bulletin No. 109 On January 1, 2008, we adopted 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 No. 133, *Accounting for Derivative Instruments and Hedging Activities* (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

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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 impact of adopting SAB 109 did not have a material impact on our consolidated financial condition or results of operations.

FSP FAS 157-3 In October 2008, the FASB issued FSP FAS 157-3, *Determining Fair Value of a Financial Asset in a Market that is not Active* (FSP FAS 157-3). This FSP applies to financial assets within the scope of all accounting pronouncements that require or permit fair value measurements in accordance with SFAS 157. This FSP clarifies the application of SFAS 157 in a market that is not active and provides key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP is effective upon issuance, including prior periods for which financial statements have not been issued. Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate in accordance with FASB Statement No. 154, *Accounting Changes and Error Corrections* (SFAS 154). The disclosure provisions of SFAS 154 for a change in accounting estimate are not required for revisions resulting from a change in valuation technique or its application. The impact of adopting FSP FAS 157-3 did not have a material impact on our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

SFAS No. 141(R) In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)), which replaces SFAS No. 141, *Business Combinations*. SFAS 141(R) establishes principles and requirements for how an acquiring company recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.
SFAS 141(R), effective for GMAC on January 1, 2009, applies to all transactions or other events in which GMAC obtains control in one or more businesses. Management will assess each transaction on a case-by-case basis as they occur.

SFAS No. 160 In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160), which requires the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent s equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income. SFAS 160 will be effective for GMAC on January 1, 2009.
SFAS 160 shall be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented. Management is currently assessing the retrospective impacts of adoption and

will assess new transactions as they occur.

SFAS No. 161 In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 requires specific disclosures regarding the location and amounts of derivative instruments in the financial statements; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect financial position, financial performance, and cash flows. SFAS 161 will be effective for GMAC on January 1, 2009. Early adoption is permitted. Because SFAS 161 impacts the disclosure and not the accounting treatment for

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derivative instruments and related hedged items, the adoption of SFAS 161 will not have an impact on our consolidated financial condition or results of operations.

SFAS No. 162 In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 identifies a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities (the Hierarchy). The Hierarchy within SFAS 162 is consistent with that previously defined in the AICPA Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* (SAS 69). SFAS 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The adoption of SFAS 162 will not have a material effect on our consolidated financial statements because we have utilized the guidance within SAS 69.

FSP FAS No. 140-3 In February 2008, the FASB issued FSP FAS No. 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* (FSP FAS No. 140-3), which provides a consistent framework for the evaluation of a transfer of a financial asset and subsequent repurchase agreement entered into with the same counterparty. FSP FAS No. 140-3 provides guidelines that must be met in order for an initial transfer and subsequent repurchase agreement to not be considered linked for evaluation. If the transactions do not meet the specified criteria, they are required to be accounted for as one transaction. This FSP will be effective for GMAC on January 1, 2009, and will be applied prospectively to initial transfers and repurchase financings for which the initial transfer is executed on or after adoption. Management is currently assessing the impact of adoption.

FSP FAS No. 142-3 In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing a renewal or extension assumptions used for purposes of determining the useful life of a recognized intangible asset under SFAS 142, *Goodwill and Other Intangible Assets* (SFAS 142). FSP FAS 142-3 is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other GAAP. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008. Earlier application is not permitted. We believe the impact of adopting FSP FAS 142-3 will not have a material effect on our consolidated financial condition or results of operations.

FSP FAS No. 133-1 and FIN 45-4 In September 2008, the FASB issued FSP FAS No. 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45*; *and Clarification of the Effective Date of FASB Statement No. 161* (FSP FAS No. 133-1 and FIN 45-4). FSP FAS 133-1 and FIN 45-4 amends SFAS 133 to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. This FSP also amends FASB Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, to require an additional disclosure about the current status of the payment/performance risk of a guarantee. Further, this FSP clarifies the Board s intent about the effective date of SFAS 161. FSP FAS 133-1 and FIN 45-4 is effective for annual and interim reporting periods ending after November 15, 2008. In addition, this FSP encourages that the amendments be applied in periods earlier than the effective date to facilitate comparisons at initial adoption. Because this impacts the disclosure and not the accounting treatment for credit derivative instruments and other guarantees, the adoption of this FSP will not have an impact on our consolidated financial condition or results of operations.

EITF Issue No. 08-5 In September 2008, The Emerging Issues Task Force (EITF) issued EITF No. 08-5, *Issuer s Accounting for Liabilities at Fair Value with a Third-Party Credit Enhancement* (EITF 08-5). EITF 08-5 states that the issuer of debt with a third-party credit enhancement that is inseparable from the debt instrument shall not include the effect of the credit enhancement in the fair value measurement of the liability. EITF 08-5 is effective on a prospective basis for periods beginning after December 15, 2008.

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The impact of adopting EITF 08-5 is not expected to have a material impact on our consolidated financial condition or results of operations.

2. Other Income

Details of other income were as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2008**	2007	**2008**	2007
Gain on retirement of debt	**$59**	$	**$1,163**	$
Real estate services, net	**(25)**	24	**(34)**	292
Interest and service fees on transactions with GM (a)	**70**	86	**193**	245
Interest on cash equivalents	**61**	103	**188**	312
Other interest revenue	**57**	168	**338**	466
Full-service leasing fees	**106**	84	**312**	239
Late charges and other administrative fees	**41**	46	**127**	132
Mortgage processing fees and other mortgage (loss) income	**4**	21	**(248)**	84
Interest on restricted cash deposits	**30**	28	**106**	114
Real estate and other investments, net	**(8)**	10	**(46)**	71
Insurance service fees	**36**	37	**113**	115
Factoring commissions	**14**	14	**38**	41
Specialty lending fees	**11**	9	**33**	30
Fair value adjustment on certain derivatives (b)	**(60)**	18	**37**	53
Changes in fair value for SFAS 159 elections, net (c)	**(72)**		**(200)**	
Other	**49**	(46)	**135**	61
Total other income	**$373**	$602	**$2,255**	$2,255

(a) Refer to Note 12 for a description of related party transactions.
(b) Refer to Note 9 for a description of derivative instruments and hedging activities.
(c) Refer to Note 13 for a description of SFAS 159 fair value option elections.

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3. Other Operating Expenses

Details of other operating expenses were as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2008**	2007	**2008**	2007
Insurance commissions	**$236**	$237	**$706**	$702
Technology and communications expense	**164**	177	**476**	478
Professional services	**151**	104	**481**	303
Advertising and marketing	**55**	72	**163**	225
Mortgage representation and warranty expense, net	**112**	(26)	**213**	176
Premises and equipment depreciation	**43**	45	**136**	145
Rent and storage	**52**	55	**156**	169
Full-service leasing vehicle maintenance costs	**96**	78	**281**	215
Lease and loan administration	**38**	50	**117**	156
Automotive remarketing and repossession	**79**	76	**236**	170
Restructuring expenses	**97**		**181**	
Operating lease disposal loss (gain)	**94**	1	**217**	(6)
Other	**750**	342	**1,415**	907
Total other operating expenses	**$1,967**	$1,211	**$4,778**	$3,640

4. Impairment of Investment in Operating Leases

We evaluate the carrying value of our operating lease assets and test for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), when events or circumstances necessitate the evaluation. Generally, impairment is determined to exist if the undiscounted expected future cash flows are lower than the carrying value of the asset.

In light of recent significant declines in used vehicle prices for trucks in Canada, we concluded a triggering event had occurred during the three months ended September 30, 2008, requiring an evaluation of certain Canadian operating lease assets within our North American Automotive Finance operations for recoverability as of September 30, 2008. We grouped these operating lease assets at the lowest level that we could reasonably estimate the identifiable cash flows. In assessing for recoverability, we compared our estimates of future cash flows related to these lease assets to their corresponding carrying values. We considered all of the expected cash flows, including customer payments, the expected residual value upon remarketing the vehicle at lease termination, and any payments from GM under residual risk sharing agreements. To the extent these undiscounted cash flows were less than their respective carrying values, we discounted the cash flows to arrive at an estimated fair value. As a result of this evaluation, during the three months ended September 30, 2008, we concluded that $604 million of the $8.1 billion total net investment in Canadian operating leases was impaired by a total of $93 million. Therefore, we reduced our carrying value to equal the estimated fair value and recorded an impairment charge in the three months ended September 30, 2008, for this amount. When combined with a similar impairment charge for the United States and Canada recorded during the three months ended June 30, 2008, our North American Automotive Finance operations has realized impairment charges on its investment in operating leases assets of $808 million for the nine months ended September 30, 2008. No similar impairment charges were realized during the three months ended March 31, 2008.

While we believe our estimates of discounted future cash flows used for the impairment analysis were reasonable based on current market conditions, the process required the use of significant estimates and assumptions. In developing these estimates and assumptions, management used all available evidence.

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However, because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes, actual cash flows could ultimately differ from those estimated as part of the recoverability and impairment analyses.

5. Finance Receivables and Loans, and Loans Held-for-Sale

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

	September 30, 2008			December 31, 2007		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer						
Retail automotive	**$17,593**	**$25,426**	**$43,019**	$20,030	$25,576	$45,606
Residential mortgages (a)	**24,575**	**5,331**	**29,906**	34,839	7,324	42,163
Total consumer	**42,168**	**30,757**	**72,925**	54,869	32,900	87,769
Commercial						
Automotive:						
Wholesale	**16,353**	**9,325**	**25,678**	14,689	8,272	22,961
Leasing and lease financing	**253**	**783**	**1,036**	296	930	1,226
Term loans to dealers and other	**2,604**	**657**	**3,261**	2,478	857	3,335
Commercial and industrial	**5,217**	**1,758**	**6,975**	6,431	2,313	8,744
Real estate construction and other	**2,150**	**397**	**2,547**	2,943	536	3,479
Total commercial	**26,577**	**12,920**	**39,497**	26,837	12,908	39,745
Total finance receivables and loans (b)	**$68,745**	**$43,677**	**$112,422**	$81,706	$45,808	$127,514

(a) Domestic residential mortgages include $2.2 billion at fair value as a result of election made under SFAS 159 as of September 30, 2008. Refer to Note 13 for additional information.

(b) Net of unearned income of $3.9 billion and $4.0 billion as of September 30, 2008, and December 31, 2007, respectively.

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

($ in millions)	**September 30, 2008**	December 31, 2007
Consumer		
Retail automotive	**$6,116**	$8,400
Residential mortgages	**4,153**	12,078
Total consumer	**10,269**	20,478
Commercial		
Automotive		
Wholesale	**459**	81
Commercial and industrial	**1,251**	
Total commercial	**1,710**	81
Total loans held-for-sale	**$11,979**	$20,559

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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,					
	2008			2007		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Allowance at July 1,	**$1,918**	**$630**	**$2,548**	$3,062	$402	$3,464
Provision for credit losses	**910**	**189**	**1,099**	878	86	964
Charge-offs						
Domestic	**(403)**	**(53)**	**(456)**	(596)	(36)	(632)
Foreign	**(79)**	**(10)**	**(89)**	(71)	(13)	(84)
Total charge-offs	**(482)**	**(63)**	**(545)**	(667)	(49)	(716)
Recoveries						
Domestic	**46**	**16**	**62**	43	11	54
Foreign	**18**	**1**	**19**	13	4	17
Total recoveries	**64**	**17**	**81**	56	15	71
Net charge-offs	**(418)**	**(46)**	**(464)**	(611)	(34)	(645)
Reduction of allowance due to deconsolidation (a)				(306)		(306)
Impacts of foreign currency translation	**(43)**	**(8)**	**(51)**	8	3	11
Allowance at September 30,	**$2,367**	**$765**	**$3,132**	$3,031	$457	$3,488

	Nine months ended September 30,					
	2008			2007		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total

Allowance at January 1,	**$2,141**	**$614**	**$2,755**	$2,969	$607	$3,576
Provision for credit losses	**1,989**	**354**	**2,343**	1,761	314	2,075
Charge-offs						
Domestic	**(1,203)**	**(209)**	**(1,412)**	(1,438)	(416)	(1,854)
Foreign	**(258)**	**(11)**	**(269)**	(159)	(73)	(232)
Total charge-offs	**(1,461)**	**(220)**	**(1,681)**	(1,597)	(489)	(2,086)
Recoveries						
Domestic	**153**	**19**	**172**	153	15	168
Foreign	**53**	**3**	**56**	41	5	46
Total recoveries	**206**	**22**	**228**	194	20	214
Net charge-offs	**(1,255)**	**(198)**	**(1,453)**	(1,403)	(469)	(1,872)
Reduction of allowance due to deconsolidation (a)				(306)		(306)
Reduction of allowance due to fair value option election (b)	**(489)**		**(489)**			
Impacts of foreign currency translation	**(19)**	**(5)**	**(24)**	10	5	15
Allowance at September 30,	**$2,367**	**$765**	**$3,132**	$3,031	$457	$3,488

(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 that resulted in 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.

(b) Represents the reduction of allowance as a result of fair value option election made under SFAS 159 effective January 1, 2008. Refer to Note 13 for additional information.

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6. Mortgage Servicing Rights

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

	Nine months ended September 30,	
($ in millions)	**2008**	2007
Estimated fair value at January 1,	**$4,703**	$4,930
Additions obtained from sales of financial assets	**1,025**	1,304
Additions from purchases of servicing rights		3
Subtractions from sales of servicing assets	**(484)**	
Subtractions from disposals		(165)
Changes in fair value:		
Due to changes in valuation inputs or assumptions used in the valuation model	**125**	(56)
Recognized day-one gains on previously purchased MSRs upon adoption of SFAS 157 (a)	**11**	
Other changes in fair value	**(655)**	(466)
Other changes that affect the balance		(3)
Estimated fair value at September 30,	**$4,725**	$5,547

(a) Refer to Note 13 for additional information.

As of September 30, 2008, we pledged MSRs of $3.0 billion as collateral for borrowings, compared to $2.7 billion as of December 31, 2007. For a description of MSRs and the related hedging strategy, refer to Notes 9 and 16 to the Consolidated Financial Statements in our 2007 Annual Report on Form 10-K.

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

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

	September 30,	
	2008	2007

Range of prepayment speeds	**0.7**	**46.5%**	0.4	53.6%
Range of discount rates	**4.8**	**31.6%**	7.7	13.0%

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. Historically, we have economically hedged the income statement impact of these risks with both derivative and nonderivative financial instruments. These instruments include interest rate swaps, caps and floors, options to purchase these items, futures, and forward contracts and/or purchasing or selling U.S. Treasury and principal-only securities. At September 30, 2008, the fair value of derivative financial instruments used to mitigate these risks amounted to $369 million. There were no nonderivative instruments used to mitigate these risks at September 30, 2008. At September 30, 2007, the fair value of derivative 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 gain of $493 million and a loss of $58 million for the nine months ended September 30, 2008 and 2007, respectively,

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and is included in servicing asset valuation and hedge activities, net in the Condensed Consolidated Statements of Income.

The components of servicing fees on MSRs were as follows:

($ in millions)	**Three months ended September 30, 2008**	Three months ended September 30, 2007	**Nine months ended September 30, 2008**	Nine months ended September 30, 2007
Contractual servicing fees, net of guarantee fees, and including subservicing	**$307**	$391	**$959**	$1,155
Late fees	**27**	35	**94**	110
Ancillary fees	**35**	25	**101**	86
Total	**$369**	$451	**$1,154**	$1,351

During the third quarter of 2008, ResCap s consolidated tangible net worth, as defined, fell below $1.0 billion giving Fannie Mae the right to pursue certain remedies under the master agreement and contract between GMAC Mortgage, LLC, its consolidated subsidiary, and Fannie Mae. In light of the decline in ResCap s consolidated tangible net worth, as defined, Fannie Mae has requested additional security for some of ResCap s potential obligations under its agreements with them. ResCap has reached an agreement in principle with Fannie Mae, under the terms of which ResCap will provide them additional collateral valued at $200 million, and agree to sell and transfer the servicing on mortgage loans having an unpaid principal balance of approximately $12.7 billion, or approximately 9% of the total principal balance of loans ResCap services for them. Fannie Mae has indicated that in return for these actions, they will agree to forbear, until January 31, 2009, from exercising contractual remedies otherwise available due to the decline in consolidated tangible net worth, as defined. Actions based on these remedies could have included, among other things, reducing ResCap s ability to sell loans to them, reducing its capacity to service loans for them, or requiring it to transfer servicing of loans ResCap services for them. Management believes that selling the servicing related to the loans described above will have an incremental positive impact on ResCap s liquidity and overall cost of servicing, since it will no longer be required to advance delinquent payments on those loans. Meeting Fannie Mae s collateral request will have a negative impact on ResCap s liquidity. Moreover, if Fannie Mae deems ResCap s consolidated tangible net worth, as defined, to be inadequate following the expiration of the forbearance period referred to above, and if Fannie Mae then determines to exercise their contractual remedies as described above, it would adversely affect our profitability and financial condition.

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7. Other Assets

Other assets consisted of:

($ in millions)	**September 30, 2008**	December 31, 2007
Property and equipment at cost	**$1,628**	$1,759
Accumulated depreciation	**(1,177)**	(1,200)
Net property and equipment	**451**	559
Cash reserve deposits held-for-securitization trusts (a)	**3,521**	3,350
Fair value of derivative contracts in receivable position	**3,123**	5,677
Real estate and other investments (b)	**1,483**	2,237
Restricted cash collections for securitization trusts (c)	**3,462**	2,397
Goodwill	**1,453**	1,496
Deferred policy acquisition cost	**1,656**	1,702
Accrued interest and rent receivable	**644**	881
Repossessed and foreclosed assets, net, at lower of cost or fair value	**1,188**	1,347
Debt issuance costs	**836**	601
Servicer advances	**2,159**	1,847
Securities lending (d)		856
Investment in used vehicles held-for-sale, at lower of cost or fair value	**829**	792
Subordinated note receivable	**252**	250
Intangible assets, net of accumulated amortization	**73**	93
Other assets	**5,022**	4,170
Total other assets	**$26,152**	$28,255

(a) Represents credit enhancement in the form of cash reserves for various securitization transactions we have executed.

(b) Includes residential real estate investments of $260 million and $1.1 billion and related accumulated depreciation of $3 million and $16 million at September 30, 2008, and December 31, 2007, respectively.

(c) Represents cash collections from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.

(d) During the three months ended June 30, 2008, our Insurance operations ceased securities-lending activities within its investment portfolio.

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8. Debt

	September 30, 2008			December 31, 2007		
($ in millions)	**Unsecured**	**Secured**	**Total**	Unsecured	Secured	Total
Short-term debt						
Commercial paper	**$674**	**$**	**$674**	$1,439	$	$1,439
Demand notes	**3,878**		**3,878**	6,584		6,584
Bank loans and overdrafts	**4,801**		**4,801**	7,182		7,182
Repurchase agreements and other (a)	**1,767**	**7,846**	**9,613**	678	17,923	18,601
Total short-term debt	**11,120**	**7,846**	**18,966**	15,883	17,923	33,806
Long-term debt						
Due within one year	**13,173**	**18,924**	**32,097**	17,661	19,868	37,529
Due after one year	**47,959**	**61,249**	**109,208**	68,224	53,018	121,242
Total long-term debt (b)	**61,132**	**80,173**	**141,305**	85,885	72,886	158,771
Fair value adjustment (c)	**360**		**360**	571		571
Total debt	**$72,612**	**$88,019**	**$160,631**	$102,339	$90,809	$193,148

(a) Repurchase agreements consist of secured financing arrangements with third parties at ResCap. Other primarily includes nonbank secured borrowings and notes payable to GM. Refer to Note 12 for additional information.

(b) Secured long-term debt includes $2,466 million at fair value as a result of election made under SFAS 159. Refer to Note 13 for additional information.

(c) To adjust designated fixed-rate debt to fair value in accordance with SFAS 133.

The following table presents the scheduled maturity of long-term debt at September 30, 2008, assuming that no early redemptions occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, *($ in millions)*	**Unsecured**	**Secured**	**Total**

2008	$1,795	$5,612	$7,407
2009	12,799	19,747	32,546
2010	8,752	22,541	31,293
2011	12,304	12,565	24,869
2012	6,064	2,831	8,895
2013 and thereafter	19,418	9,868	29,286
Long-term debt	61,132	73,164	134,296
Collateralized borrowings in securitization trusts (a)		7,009	7,009
Total long-term debt	$61,132	$80,173	$141,305

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

Under a revolving credit facility, we are subject to a leverage ratio covenant under which adjusted consolidated debt should not exceed 11 times adjusted consolidated net worth. As of September 30, 2008, our leverage ratio calculated under the terms of this facility was 10.0:1.

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The following summarizes assets restricted as collateral for the payment of the related debt obligations.

	September 30, 2008		December 31, 2007	
($ in millions)	**Assets (a)**	**Related secured debt (b)**	Assets	Related secured debt (b)
Loans held-for-sale	**$4,499**	**$1,819**	$10,437	$6,765
Mortgage assets held-for-investment and lending receivables	**38,490**	**19,576**	45,534	33,911
Retail automotive finance receivables	**30,483**	**23,044**	23,079	19,094
Commercial automotive finance receivables	**15,910**	**12,011**	10,092	7,709
Investment securities	**817**	**725**	880	788
Investment in operating leases, net	**25,259**	**19,691**	20,107	17,926
Real estate investments and other assets	**20,448**	**11,153**	14,429	4,616
Total	**$135,906**	**$88,019**	$124,558	$90,809

(a) GMAC has a senior position on certain assets pledged by ResCap with subordinate positions held by GM, affiliates of Cerberus, and ultimately some third parties.

(b) Included as part of secured debt are repurchase agreements of $1.5 billion and $3.6 billion through which we have pledged assets as collateral at September 30, 2008, and December 31, 2007, respectively.

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Liquidity Facilities

Liquidity facilities represent additional funding sources. The financial institutions providing the uncommitted facilities are not legally obligated to advance funds under these facilities. Capacity under the secured facilities is generally available to the extent we contribute incremental collateral to a facility. The following table summarizes the liquidity facilities that we maintain.

	Total capacity		**Current capacity (a)**		**Potential capacity (b)**		**Outstanding**	
($ in billions)	**Sept 30, 2008**	Dec 31, 2007	**Sept 30, 2008**	Dec 31, 2007	**Sept 30, 2008**	Dec 31, 2007	**Sept 30, 2008**	Dec 31, 2007
Committed unsecured:								
Global Automotive Finance operations	**$2.1**	$8.9	**$0.1**	$7.0	**$**	$	**$2.0**	$1.9
ResCap		3.6		1.8				1.8
Other		0.1		0.1				
Committed secured:								
Global Automotive Finance operations (c)	**61.2**	62.0	**0.5**	0.1	**17.1**	22.9	**43.6**	39.0
ResCap	**9.6**	33.2			**3.7**	17.4	**5.9**	15.8
Other	**3.3**	3.8			**0.8**	1.7	**2.5**	2.1
Total committed facilities	**76.2**	111.6	**0.6**	9.0	**21.6**	42.0	**54.0**	60.6
Uncommitted unsecured:								
Global Automotive Finance operations	**4.4**	8.5	**0.1**	1.2			**4.3**	7.3
ResCap	**0.4**	0.6	**0.3**	0.2			**0.1**	0.4
Other		0.2						0.2
Uncommitted secured:								
Global Automotive Finance operations	**4.4**		**0.1**		**4.1**		**0.2**	
ResCap	**11.0**	21.6			**0.4**	9.5	**10.6**	12.1
Total uncommitted facilities	**20.2**	30.9	**0.5**	1.4	**4.5**	9.5	**15.2**	20.0

Total	**$96.4**	$142.5	**$1.1**	$10.4	**$26.1**	$51.5	**$69.2**	$80.6
Whole-loan forward flow agreements (d)	**$20.8**	$37.4	**$**	$	**$20.8**	$37.4	**$**	$
Total commitments	**$117.2**	$179.9	**$1.1**	$10.4	**$46.9**	$88.9	**$69.2**	$80.6

(a) Funding is generally available upon request as excess collateral resides in certain facilities.
(b) Funding is generally available to the extent incremental collateral is contributed to the facilities.
(c) Potential capacity includes undrawn credit commitments that serve as backup liquidity to support our asset-backed commercial paper program (NCAT). There was $9.0 billion and $12.0 billion of potential capacity that was supporting $5.9 billion and $6.9 billion of outstanding NCAT commercial paper as of September 30, 2008 and December 31, 2007 respectively. The NCAT commercial paper outstanding is not included in our Condensed Consolidated Balance Sheets.
(d) Represents commitments to purchase U.S. automotive retail assets.

9. 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. Accounting for changes in fair value depends on the use of the derivative financial instrument and whether it is part of a qualifying hedge accounting relationship.

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

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swaps were deemed to be 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)	**2008**	2007	**2008**	2007	Income statement classification
Fair value hedge ineffectiveness (loss) gain:					
Debt obligations	**($10)**	$51	**($32)**	($27)	Interest expense
Loans held-for-sale				(1)	Gain (loss) on mortgage and automotive loans, net
Economic hedge change in fair value:					
Off-balance sheet securitization activities:					
Global Automotive Finance	**8**		**23**	30	Other income operations
Foreign-currency debt (a)	**3**	26	**1**	26	Interest expense
Loans held-for-sale or investment	**238**	(265)	**252**	(86)	Gain (loss) on mortgage and automotive loans, net
Mortgage servicing rights	**326**	580	**493**	(58)	Servicing asset valuation and hedge activities, net
Mortgage-related securities		(51)	**1**	(119)	Investment (loss) income
Callable debt obligations	**56**	8	**49**	43	Interest expense
Other	**(172)**	(3)	**(46)**	(16)	Other income, Interest expense, Other operating expenses
Net gains (losses)	**$449**	$346	**$741**	($208)	

(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.

10. Income Taxes

Effective November 28, 2006, GMAC along with certain U.S. subsidiaries, became pass-through entities for U.S. federal income tax purposes (pass-through entities). Subsequent to November 28, 2006, U.S. federal, state, and local income tax expense has generally not been incurred by these entities as they ceased to be taxable entities in all but a few local tax jurisdictions that continue to tax LLCs or partnerships. Our banking, insurance, and foreign subsidiaries are generally taxable corporations and continue to be subject to U.S. federal, state, local, and foreign income taxes (taxable entities). The income tax expense or benefit related to the taxable entities along with other miscellaneous state, local, and franchise taxes are included in our income tax expense in the Condensed Consolidated Statements of Income.

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2008	2007	**2008**	2007
Statutory U.S. federal tax rate	**35.0%**	35.0%	**35.0%**	35.0%
Change in tax rate resulting from:				
LLC loss not subject to federal or state income taxes	**(23.6)**	(29.8)	**(18.0)**	(54.3)
Effect of valuation allowance change	**(6.2)**		**(15.3)**	
Foreign income tax rate differential	**(3.1)**	1.3	**(4.1)**	3.2
State and local income taxes, net of federal income tax benefit	**1.1**	0.6	**0.6**	0.6
Tax-exempt income	**0.1**	(2.0)	**0.2**	(2.1)
Other	**0.4**	(1.0)	**(0.1)**	
Effective tax rate	**3.7%**	4.1%	**(1.7)%**	(17.6)%

Our results segregated by tax status are provided below.

	Three months ended September 30,					
	2008			2007		
($ in millions)	**Pass-through entities**	**Taxable entities**	**Consolidated**	Pass-through entities	Taxable entities	Consolidated
Pretax loss	**($1,775)**	**($846)**	**($2,621)**	($1,346)	($318)	($1,664)
Tax (benefit) expense	**(25)**	**(73)**	**(98)**	8	(76)	(68)
Net loss	**($1,750)**	**($773)**	**($2,523)**	($1,354)	($242)	($1,596)
Effective tax rate	**1.4%**	**8.6%**	**3.7%**	(0.6)%	23.9%	4.1%

Nine months ended September 30,

	2008			2007		
($ in millions)	**Pass-through entities**	**Taxable entities**	**Consolidated**	Pass-through entities	Taxable entities	Consolidated
Pretax (loss) income	**($2,878)**	**($2,622)**	**($5,500)**	($1,952)	$585	($1,367)
Tax (benefit) expense	**(32)**	**126**	**94**	6	235	241
Net (loss) income	**($2,846)**	**($2,748)**	**($5,594)**	($1,958)	$350	($1,608)
Effective tax rate	**1.1%**	**(4.8)%**	**(1.7)%**	(0.3)%	40.2%	(17.6)%

The effective rate of our taxable entities was lower for the three months and nine months ended September 30, 2008, compared to the same periods in 2007. Our consolidated tax expense decreased 44% and 61% for the three months and nine months ended September 30, 2008, respectively, compared to the same periods in 2007. The decrease in tax expense was primarily due to earnings reductions in both the United States and international automotive finance and mortgage operations.

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Included within tax expense were additional valuation allowances in the three and nine months ended September 30, 2008, of $99 million and $764 million, respectively. These valuation allowances related to deferred tax assets of certain foreign operations, primarily mortgage operations in continental Europe, United Kingdom, Canada, and Australia. These valuation allowances were established because, based on historical losses and expected future taxable income, it was no longer more-likely-than-not that these net deferred tax assets would be realized.

Gross unrecognized tax benefits totaled $170 million and $155 million as of September 30, 2008, and December 31, 2007, respectively.

11. Share-based Compensation Plans

In 2006, the Compensation and Leadership Committee approved the Long-Term Phantom Interest Plan (LTIP) and the Management Profits Interest Plan (MPI). In July 2008, the Compensation and Leadership Committee approved the Long-Term Equity Compensation Incentive Plan (LTECIP) to replace the LTIP and MPI. As such, there will be no further MPI or LTIP awards granted. The LTECIP provides for future grants of Restricted Share Units (RSUs) and Share Appreciation Rights (SARs). Each of these compensation plans were designed to provide our executives with an opportunity to share in the future growth in value of GMAC, which is necessary to attract and retain key executives. These incentive plans are share-based compensation plans accounted for under Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (SFAS 123(R)).

During the third quarter of 2008, the Compensation and Leadership Committee approved the repurchase of the majority of the MPI equity-based awards from the participants. The MPI awards were held by senior executives throughout GMAC. At the time of the repurchase, only a portion of the awards were vested. The total cash paid for the repurchased MPI awards was $28 million. Total compensation expense recognized during the three months ended September 30, 2008, for the MPI plan was $26 million, which mainly represents the accelerated recognition at the repurchase date of the previously unrecognized compensation expense associated with the repurchase of the nonvested awards as required under SFAS 123(R). Compensation expense recognized for the nine months ended September 30, 2008, was $28 million compared to compensation expense of $3 million for the nine months ended September 30, 2007. The MPI repurchase agreements also contain provisions that were designed to enhance GMAC s ability to retain the senior executives who participated in the repurchase. These provisions could require the executive to return all or a portion of the cash received under the repurchase program and require the executive to comply with certain restrictive covenants. We will continue to recognize an insignificant amount of compensation expense for the awards not repurchased.

Also, during the three months ended September 30, 2008, the Compensation and Leadership Committee approved an exchange of the majority of outstanding LTIP liability-based awards with RSUs. Based on GMAC s results and the program requirements for payout, we did not have any compensation expense accrued for the LTIP awards at the time of the exchange. We recognized a reduction of compensation expense for the LTIP awards of $12 million for the nine months ended September 30, 2008, compared to compensation expense of $10 million for the nine months ended September 30, 2007. We recognized the reduction of compensation expense due to a decline in the estimated fair value of the liability in the second quarter of 2008, mainly as a result of changes in assumptions due to updated market information obtained during the period, as well as award forfeitures.

The RSU awards were granted to participants in terms of basis points in the fair value of GMAC. The majority of awards vest ratably based on continued service over five years beginning on December 31, 2008, and at each of the next four anniversaries thereafter. Certain awards vest over three years beginning on December 31, 2008, and at each of the next two anniversaries thereafter. Annual award payouts are made in the quarter following their vesting and are based on the fair value of GMAC at each year-end as determined by the Compensation and Leadership Committee. Participants have the option at grant date to defer the

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valuation and payout for any tranche until the final year of the award. Under SFAS 123(R), the awards require liability treatment and are remeasured quarterly at fair value until they are paid. The compensation costs related to these awards are ratably charged to expense over the five-year or three-year service period, as applicable. We utilize an internal process to estimate the fair value of the RSU awards based on the estimated fair value of GMAC using changes in our performance, market, and industry. Changes in fair value relating to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. The Compensation and Leadership Committee considered the cash and compensation expense impact of the MPI award repurchase program described above when determining the RSU award pool available for grant. The total RSU awards outstanding at September 30, 2008, represented approximately 198 basis points of fair value in GMAC. We recognized compensation expense of $9 million for the three months ended September 30, 2008, related to the RSU awards granted during the quarter.

12. 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, 2008**	December 31, 2007
Assets		
Available-for-sale investment in asset-backed security (a)	**$35**	$35
Finance receivables and loans, net of unearned income:		
Wholesale auto financing (b)	**574**	717
Term loans to dealers (b)	**121**	166
Lending receivables (c)	**139**	145
Investment in operating leases, net (d)	**320**	330
Notes receivable from GM (e)	**2,106**	1,868
Other assets:		
Subvention receivables (rate and residual support)	**156**	365
Lease pull-ahead receivable	**36**	22
Other	**43**	60
Liabilities		
Unsecured debt:		
Notes payable to GM	**742**	585
Secured debt:		
Subordinated participation in ResCap Facility GM	**368**	
Subordinated participation in ResCap Facility Cerberus Fund	**382**	
Cerberus model home term loan	**125**	
Accrued expenses and other liabilities:		
Wholesale payable	**898**	466

Deferred revenue GM (f)	**440**	
Other payables	**102**	55

(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 Sheets.
(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) Represents wholesale financing we provide 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.
(f) Represents prepayments made by GM pursuant to the terms of the Sale Transactions requiring that the aggregate amount of certain unsecured obligations of GM to us not exceed $1.5 billion.

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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)	**2008**	2007	**2008**	2007
Net financing revenue:				
GM and affiliates lease residual value support (a)	**$431**	$276	**$1,254**	$729
GM and affiliates rate support	**248**	359	**773**	1,065
Wholesale subvention and service fees from GM	**78**	62	**236**	193
Interest expense on loans with GM	**(16)**	(6)	**(37)**	(10)
Interest (expense) income on loans with FIM Holdings affiliates, net	**(28)**	3	**(20)**	14
Consumer lease payments from GM (b)	**21**	8	**45**	21
Other revenue:				
Insurance premiums earned from GM	**68**	63	**178**	192
Interest on notes receivable from GM and affiliates	**8**	36	**99**	101
Interest on wholesale settlements (c)	**57**	47	**82**	134
Revenues from GM leased properties, net	**5**	3	**12**	10
Derivatives (d)	**(7)**	(6)	**3**	1
Losses on model home asset sales with an affiliate of Cerberus	**(27)**		**(27)**	
Other	**2**		**6**	1
Servicing fees:				
U.S. Automotive operating leases (e)	**8**	8	**22**	21
Servicing asset valuation:				
Losses on sales of securitized excess servicing loans to Cerberus	**(24)**		**(24)**	
Expense:				
Employee retirement plan costs allocated by GM				(1)
Off-lease vehicle selling expense reimbursement (f)	**(15)**	(12)	**(35)**	(29)
Payments to GM for services, rent, and marketing expenses (g)	**55**	36	**123**	112

(a) Represents total amount of residual support and risk sharing earned under the residual support and risk-sharing programs as well as 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 or (expense) related to derivative transactions that we enter into with GM as counterparty.

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

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

(g) We reimburse GM for certain services provided to us. This amount includes rental payments for our primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan, as well as exclusivity and royalty fees.

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Statement of Changes in Equity

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

($ in millions)	**Nine months ended September 30, 2008**	Year ended December 31, 2007
Equity		
Dividends paid to members (a)	**$47**	$
Preferred interests (b)		1,052
Conversion of preferred membership interests (b)		1,121
Capital contributions received (c)	**8**	1,080
Preferred interest dividends		192

(a) Primarily represents remittances to GM for tax settlements and refunds received related to tax periods prior to the Sale Transactions as required per the terms of the Purchase and Sale Agreement between GM and FIM Holdings.
(b) During the fourth quarter of 2007, GM and FIM Holdings converted $1.1 billion of preferred membership interest into common equity interests. Refer to Note 1 of the Notes to Consolidated Financial Statements of our 2007 Annual Report on Form 10-K for further discussion.
(c) During the first quarter of 2007, under the terms of the Sale Transactions, GM made a capital contribution of $1 billion to GMAC.

Retail and Lease Programs

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

GM may also sponsor residual support programs as a way to lower customer monthly payments. Under residual support programs, the customer s contractual residual value is adjusted above our standard residual values. Prior to the Sale Transactions, 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, under risk-sharing programs, GM shares equally in residual losses to the extent that remarketing proceeds are 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 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 in 2006. The payments were recorded as a deferred amount in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheets. As these contracts terminate and the vehicles are sold at auction, any remaining 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, 2008, the remaining deferred amount was $74 million.

In addition, with regard to North American lease originations and balloon retail contract originations occurring in the United States after April 30, 2006, and in Canada after November 30, 2006, that remained with us after the consummation of the Sale Transactions, GM agreed to begin payment of the present value of the expected residual support owed to us at 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

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affected contracts originated during the three months and nine months ended September 30, 2008, GM paid or agreed to pay us a total of $123 million and $590 million, respectively.

Based on the September 30, 2008, outstanding North American operating lease portfolio, the additional maximum amount that could be paid by GM under the residual support programs is approximately $1.5 billion 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, 2008, outstanding North American operating lease portfolio, the maximum amount that could be paid under the risk-sharing arrangements is approximately $1.9 billion 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, were as follows:

	Nine months ended September 30,	
	2008	2007
GM and affiliates subvented contracts acquired:		
North American operations	**80%**	85%
International operations	**40%**	42%

Other

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

GM also provides payment guarantees on certain commercial assets we have outstanding with certain third-party customers. As of September 30, 2008, and December 31, 2007, commercial obligations guaranteed by GM were $83 million and $107 million, respectively. In addition, we have a consignment arrangement with GM for commercial inventories in Europe. As of September 30, 2008, and December 31, 2007, commercial inventories related to this arrangement were $143 million and $90 million, respectively, and are reflected in other assets on our Condensed Consolidated Balance Sheets.

On June 4, 2008, GMAC entered into a Loan Agreement (ResCap Facility) with Residential Funding Company, LLC (RFC) and GMAC Mortgage, LLC (GMAC Mortgage) (guaranteed by ResCap and certain of its subsidiaries), pursuant to which GMAC provides a senior secured credit facility with a capacity of up to $3.5 billion. In connection with this agreement, GMAC entered into a Participation Agreement (Participation Agreement) with GM and Cerberus ResCap Financing LLC (Cerberus Fund), pursuant to which GMAC sold GM and Cerberus Fund $750 million in subordinated participations (Participations) in the loans made pursuant to the ResCap Facility. GM and Cerberus Fund acquired 49% and 51% of the Participations, respectively.

In June 2008, Cerberus Capital Management, L.P., or its designee(s) (Cerberus) purchased certain assets of ResCap with a carrying value of approximately $479 million for consideration consisting of $230 million in cash and Series B junior preferred membership interests in a newly formed entity, CMH Holdings, LLC (CMH), which is not a subsidiary of ResCap and the managing member of which is an affiliate of Cerberus. CMH purchased model home and lot option assets from ResCap. CMH is consolidated into ResCap, and thus GMAC, under FIN 46(R), *Consolidation of Variable Interest Entities,* as ResCap remains the primary beneficiary. In conjunction with this agreement, Cerberus has entered into both term and revolving loans with CMH. The term loan principal amount is equal to $230 million and the revolving loan maximum amount is

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$10 million. The loans will mature on June 30, 2013, and are secured by a pledge of all of the assets of CMH. At September 30, 2008, the outstanding balance of the term loan was $125 million, and interest expense was $23 million and $25 million for the three months and nine months ended September 30, 2008, respectively.

During the second quarter of 2008, Cerberus committed to purchase certain assets at ResCap s option consisting of performing and nonperforming mortgage loans, mortgage-backed securities, and other assets for net cash proceeds of $300 million. During the third quarter, the following transactions were completed with Cerberus:

On July 14 and 15, 2008, ResCap, through its consolidated subsidiary GMAC Mortgage, agreed to sell securitized excess servicing on two populations of loans to Cerberus consisting of $13.8 billion in unpaid principal balance of Freddie Mac loans and $24.8 billion in unpaid principal balance of Fannie Mae loans, capturing $591 million and $982 million of notional interest-only securities, respectively. The sales closed on July 30, 2008, with net proceeds of $175 million to ResCap and a loss on sale of $24 million.

On September 30, 2008, ResCap completed the sale of certain of its model home assets to MHPool Holdings LLC (MHPool Holdings), an affiliate of Cerberus, for cash consideration consisting of approximately $80 million, subject to certain adjustments, primarily relating to the sales of homes between June 20, 2008, and September 30, 2008, resulting in a net purchase price from MHPool Holdings of approximately $59 million. The loss on sale was $27 million. The purchase price is subject to further post-closing adjustments that are not expected to be material.

These transactions entered into between ResCap and Cerberus satisfy the previously announced commitment by Cerberus to purchase assets of $300 million.

In addition, Cerberus committed to make firm bids to purchase the auction assets for net cash proceeds of $650 million. ResCap intends, but is not obligated, to undertake an orderly sale of certain of its assets consisting of performing and nonperforming mortgage loans and mortgage-backed securities in arm s-length transactions through the retention of nationally recognized brokers.

On July 22, 2008, we made a dividend of 100% of the voting interest of GMACI Holdings LLC, the holding company for our Insurance operations, to the current holders of our common membership equity, which include FIM Holdings and subsidiaries of GM. The dividend was made pro rata in accordance with the current common equity ownership percentages held by these entities. We continue to hold 100% of the economic interests and fully consolidate GMACI in accordance with GAAP.

13. Fair Value

Fair Value Measurements (SFAS 157)

We adopted SFAS 157 on January 1, 2008, 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; therefore, it does not expand the use of fair value in any new circumstance.

SFAS 157 nullified guidance in EITF 02-3. EITF 02-3 required the deferral of day-one gains on derivative contracts, unless the fair value of the derivative contracts was supported by quoted market prices or similar current market transactions. In accordance with EITF 02-3, we previously deferred day-one gains on purchased MSRs and certain residential loan commitments. When SFAS 157 was adopted on January 1, 2008, the day-one gains previously deferred under EITF 02-3 were recognized as a cumulative effect adjustment that increased beginning retained earnings by $23 million.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 clarifies that

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fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). Additionally, SFAS 157 requires an entity to consider all aspects of nonperformance risk, including the entity s own credit standing, when measuring the fair value of a liability.

SFAS 157 establishes a three-level hierarchy to be used when measuring and disclosing fair value. An instrument s categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. Following is a description of the three hierarchy levels:

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

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

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

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

Available-for-sale securities Available-for-sale securities are carried at fair value, which is primarily based on observable market prices. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. In order to estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses). We classified 12% of the available-for-sale securities reported at fair value as Level 3. Available-for-sale securities account for 28% of all assets reported at fair value at September 30, 2008.

Trading securities Trading securities are recorded at fair value and include retained interests in assets sold through off-balance sheet securitizations and purchased securities. The securities may be asset-backed or asset-related asset-backed securities (including senior and subordinated interests), interest-only, principal-only, or residual interests and may be investment grade, noninvestment grade, or unrated securities. We base our valuation of trading securities on observable market prices when available; however, observable market prices are not available for a significant portion of these assets due to illiquidity in the markets. When observable market prices are not available, valuations are primarily based on internally developed discounted cash flow models that use a market-based discount rate. The valuation considers recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. In order to estimate cash flows, we utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). We classified 79% of the trading securities reported at fair value as Level 3. Trading securities account for 9% of all assets reported at fair value at September 30, 2008.

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Loans held-for-sale The entire loans held-for-sale portfolio is accounted for at the lower of cost or fair value. Only loans that are currently being carried at fair value are included within the accompanying nonrecurring fair value measurement tables. We classified 49% of the loans held-for-sale reported at fair value as Level 3. Loans held-for-sale account for 21% of all assets reported at fair value at September 30, 2008.

Approximately 19% of the total loans held-for-sale and carried at fair value are automotive loans. We based our valuation of automotive loans held-for-sale on internally developed discounted cash flow models and have classified all these loans as Level 3. These valuation models estimate the exit price we expect to receive in the loan s principal market, which depending upon characteristics of the loans may be the whole-loan or securitization market. Although we utilize and give priority to market observable inputs, such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, these internal inputs require the use of judgment and can have a significant impact on the determination of the loan s value. Accordingly, we classified all automotive loans held-for-sale as Level 3.

Approximately 60% of the total loans carried at fair value are mortgage loans. We originate or purchase mortgage loans in the United States that we intend to sell to Fannie Mae, Freddie Mac, and Ginnie Mae (collectively, the Agencies). Additionally, we originate or purchase mortgage loans both domestically and internationally that we intend to sell into the secondary markets via whole-loan sales or securitizations.

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

Loans valued using observable market prices for identical or similar assets This includes all domestic loans that can be sold to the Agencies, which are valued predominantly by published forward agency prices. This will also include all nonagency domestic loans or international loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. As these valuations are derived from quoted market prices, we classify these valuations as Level 2 in the fair value disclosures. As of September 30, 2008, 85% of the mortgage loans held-for-sale currently being carried at fair value are classified as Level 2. Due to the current illiquidity of the mortgage market, it may be necessary to look for alternative sources of value, including the whole-loan purchase market for similar loans and place more reliance on the valuations using internal models.

Loans valued using internal models To the extent observable market prices are not available, we will determine the fair value of loans held-for-sale using internally developed valuation models. These valuation models estimate the exit price we expect to receive in the loan s principal market, which depending upon characteristics of the loan, may be the whole-loan or securitization market. Although we utilize and give priority to market observable inputs such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, these internal inputs require the use of judgment and can have a significant impact on the determination of the loan s fair value. Accordingly, we classify these valuations as Level 3 in the fair value disclosures. As of September 30, 2008, 15% of the mortgage loans held-for-sale currently being carried at fair value are classified as Level 3.

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

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Consumer finance receivables and loans, net of unearned income Under SFAS 159, we elected the fair value option for certain mortgage loans held-for-investment. The elected loans collateralized on-balance sheet securitization debt in which we estimated credit reserves pertaining to securitized assets that could have, or already had, exceeded our economic exposure. The elected loans represent a portion of the consumer finance receivable and loans on the Condensed Consolidated Balance Sheets. The balance that was not elected under SFAS 159 was reported on the balance sheet at the principal amount outstanding, net of charge-offs, allowance for loan losses, and net deferred loan fees.

The mortgage loans held-for-investment that collateralized securitization debt were legally isolated from us and are beyond the reach of our creditors. The loans are measured at fair value using a portfolio approach or an in-use premise. The objective in fair valuing the loans and related securitization debt is to properly account for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds are expected to be volatile.

Since this approach involves the use of significant unobservable inputs, we classified all the mortgage loans held-for-investment elected under SFAS 159 as Level 3. As of September 30, 2008, 83% of all consumer finance receivables and loans reported at fair value are classified as Level 3. Consumer finance receivables and loans account for 10% of all assets reported at fair value at September 30, 2008. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities (SFAS 159)* for additional information.

Investment in operating leases, net In light of the prevailing market conditions, particularly weakness in the economy and the associated decline in demand for certain used vehicle values, we concluded triggering events occurred during the three months ended September 30, 2008, and the three months ended June 30, 2008, that required an evaluation of certain operating leases held by our North American Automotive Finance operations in accordance with SFAS 144. A $93 million impairment of vehicle operating leases was recognized by our North American Automotive Finance operations during the three months ended September 30, 2008, that resulted from a sharp decline in used vehicle prices for trucks in Canada, reducing our expected residual value for these vehicles. When combined with a similar impairment charge recognized during the three months ended June 30, 2008, related to sport-utility vehicles and trucks in the United States and Canada, our North American Automotive Finance operations realized impairment charges on its investment in operating lease assets of $808 million for the nine months ended September 30, 2008. The impaired operating leases were included within the nonrecurring fair value measurement tables. We determined a lease was impaired when the undiscounted expected cash flows was lower than the carrying value of the asset. The fair value of these impaired leases was then measured based upon discounted cash flows. We considered all the discounted expected cash flows when determining the fair value, including customer payments, the expected residual value upon remarketing the vehicle at lease termination, and future payments from GM under residual risk-sharing agreements. Based upon the use of internally developed discounted cash flow models, we classified all the impaired leases as Level 3. Our investment in operating leases accounts for 2% of all assets reported at fair value at September 30, 2008. For further details with respect to impaired operating leases, refer to Note 4 Impairment of Investment in Operating Leases.

Mortgage servicing rights We typically retain MSRs when we sell assets into the secondary market. MSRs do not trade in an active market with observable prices; therefore, we use internally developed discounted cash flow models to estimate the fair value of MSRs. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants, combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees, in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread derived discount rate. All MSRs are classified as Level 3 at September 30, 2008. MSRs account for 16% of all assets reported at fair value at September 30, 2008.

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Derivative instruments We manage risk through our balance of loan production and servicing businesses while using portfolios of financial instruments, including derivatives, to manage risk related specifically to the value of loans held-for-sale, loans held-for-investment, MSRs, foreign currency debt, and off-balance sheet securitizations. During the nine months ended September 30, 2008, we recorded net economic hedge gains of $773 million. Derivatives economically hedging MSRs accounted for 64% of the gains and the remaining 36% primarily of gains on economic hedges for finance receivable and loans, loans held-for-sale, and foreign currency debt.

We enter into a variety of derivative financial instruments as part of our hedging strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, or traded within highly active dealer markets, such as agency to-be-announced securities. In order to determine the fair value of these instruments, we utilize the exchange price or dealer market price for the particular derivative contract; therefore, these contracts are classified as Level 1. We classified 1% of the derivative assets and 4% of the derivative liabilities reported at fair value as Level 1 at September 30, 2008.

We also execute over-the-counter derivative contracts, such as interest rate swaps, floors, caps, corridors, and swaptions. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract are entered into the model, as well as market observable inputs such as interest rate forward curves and interpolated volatility assumptions. As all significant inputs into these models are market observable, these over-the-counter derivative contracts are classified as Level 2 at September 30, 2008. We classified 76% of the derivative assets and 47% of the derivative liabilities reported at fair value as Level 2 at September 30, 2008.

We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on-balance sheet securitizations. In order to hedge risks on particular bond classes or securitization collateral, the derivative s notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model, in order to forecast future notional amounts on these structured derivative contracts. Accordingly, these derivative contracts were classified as Level 3. We classified 23% of the derivative assets and 49% of the derivative liabilities reported at fair value as Level 3 at September 30, 2008.

SFAS 157 requires an entity to consider all aspects of nonperformance risk, including the entity s own credit standing, when measuring fair value of a liability. We consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA). The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty. In situations where our net position with a counterparty is a liability, our credit default spread is used to calculate the required adjustment. In net asset positions, the counterparty s credit default spread is used.

CVA calculations are not utilized when securities are collateralized, when asset-backed securities are in a liability position, or when netting arrangements are in place with our derivative counterparties. Under netting arrangements, cash collateral is required to be posted based upon the net underlying market value of the open positions. The posting of cash collateral typically occurs daily, subject to certain dollar thresholds. As a result, our exposure to credit risk is considered materially mitigated; therefore, we do not adjust these valuations specifically for credit.

Derivative assets account for 11% of all assets reported at fair value at September 30, 2008. Derivative liabilities account for 39% of all liabilities reported at fair value at September 30, 2008.

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

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

Investment in used vehicles held-for-sale Our investment in used vehicles is carried at the lower of either cost or fair value less costs to sell and is included in other assets on the Condensed Consolidated Balance Sheets. Only assets that are being carried at fair value less costs to sell are included in the nonrecurring fair value tables. The prevailing market conditions, primarily weakness in the economy of the United States and Canada, have created a decline in used vehicle prices, which lowered the fair value of certain vehicles below cost, primarily sport-utility vehicles and trucks. The fair value was determined based on our recent remarketing experience related to our investment in used vehicles held-for-sale. We classified all these assets as Level 3. Our investment in used vehicles held-for-sale accounts for less than 1% of all assets reported at fair value at September 30, 2008.

On-balance sheet securitization debt Under SFAS 159, we elected the fair value option for certain mortgage loans held-for-investment and on-balance sheet securitization debt. In particular, we elected the fair value option on securitization debt issued by domestic on-balance sheet securitization vehicles as of January 1, 2008, in which we estimated credit reserves pertaining to securitized assets could have, or already had, exceeded our economic exposure. The objective in measuring the loans and related securitization debt at fair value was to approximate our retained economic interest and economic exposure to the collateral securing the securitization debt. The remaining on-balance sheet securitization debt that was not elected under SFAS 159 is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

We value securitization debt that was elected pursuant to the fair value option and any economically retained positions using market observables prices whenever possible. The securitization debt is principally in the form of asset- and mortgage-backed securities collateralized by the underlying mortgage loans held-for-investment. Due to the attributes of the underlying collateral and current market conditions, observable prices for these instruments are typically not available in active markets. In these situations, we consider observed transactions as Level 2 inputs in our discounted cash flow models. Additionally, the discounted cash flow models utilize other market observable inputs such as interest rates, and internally derived inputs including prepayment speeds, credit losses, and discount rates. Fair value option elected financing securitization debt is classified as Level 3 as a result of the reliance on significant assumptions and estimates for model inputs. On-balance sheet securitization debt accounts for 56% of all liabilities reported at fair value at September 30, 2008. As a result of reduced liquidity in capital markets, values of both the elected loans and the securitized debt are expected to be volatile. Refer to the section within this note *Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159)* for a complete description of these securitizations.

Collateralized Debt Obligations We elected the fair value option for all collateralized debt obligations (CDOs). CDOs are collateralized by trading securities, which are already carried at fair value. Due to the availability of market information on the CDO collateral, we derive the fair value of CDO debt using the CDO collateral fair value and adjust accordingly for any retained economic positions. While a portion of the CDO

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collateral may utilize market observable prices for valuation purposes, the majority of the CDO collateral is valued using valuation models that utilize significant internal inputs. Further, the retained economic positions also use valuation models that utilize significant internal inputs. As a result, CDO debt is classified as Level 3. CDOs account for 4% of all liabilities reported at fair value at September 30, 2008. Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159)* for a complete description of the CDOs.

Recurring Fair Value

The following table displays the assets and liabilities measured at fair value on a recurring basis, including financial instruments elected for the fair value option under SFAS 159. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The table below displays the hedges separately from the hedged items; therefore, it does not directly display the impact of our risk management activities.

	Recurring fair value measures			
September 30, 2008 *($ in millions)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment securities:				
Available-for-sale securities	**$2,070**	**$5,064**	**$970**	**$8,104**
Trading securities	**1**	**540**	**2,016**	**2,557**
Consumer finance receivables and loans, net of unearned income (a)			**2,210**	**2,210**
Mortgage servicing rights			**4,725**	**4,725**
Other assets:				
Cash reserve deposits held-for-securitization trusts			**42**	**42**
Derivative assets (liabilities), net (b)	**(30)**	**1,665**	**(60)**	**1,575**
Restricted cash collections for securitization trusts			**7**	**7**
Total assets	**$2,041**	**$7,269**	**$9,910**	**$19,220**
Liabilities				
Secured debt:				
On-balance sheet securitization debt (a)	**$**	**$**	**($2,285)**	**($2,285)**
Collateralized debt obligations (a)			**(181)**	**(181)**
Other liabilities	**(6)**			**(6)**
Total liabilities	**($6)**	**$**	**($2,466)**	**($2,472)**

(a) Carried at fair value due to fair value option election under SFAS 159.
(b) At September 30, 2008, derivative assets within Level 1, Level 2, and Level 3 were $35 million, $2.4 billion, and $713 million, respectively. Additionally, derivative liabilities within Level 1, Level 2, and Level 3 were $65 million, $740 million, and $773 million, respectively.

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

Level 3 recurring fair value measurements

($ in millions)	Fair value as of June 30, 2008	Net realized/ unrealized gains (losses) Included in earnings	Included in other comprehensive income	Purchases, issuances, and settlements, net	Net transfers in (out) of Level 3	Fair value as of September 30, 2008	Net unrealized gains (losses) included in earnings still held as of September 30, 2008
Assets							
Investment securities							
Available-for-sale securities	$936	($41) (b)	($1)	$76	$	$970	($34) (b)
Trading securities	2,314	(164) (c)	(2)	(132)		2,016	(228) (c)
Consumer finance receivables and loans, net of unearned income (a)	2,658	94 (d)		(542)		2,210	(126) (d)
Mortgage servicing rights	5,417	(589) (e)		(103)		4,725	(587) (e)
Other assets							
Cash reserve deposits held-for-securitization trusts	51	(8) (c)		(1)		42	(99) (c)
Fair value of derivative contracts in receivable (liability) position, net	(19)	6 (f)	10	(59)	2	(60)	139 (f)
Restricted cash collections for securitization trusts	92	(3) (g)	(4)	(78)		7	(3) (g)
Total assets	$11,449	($705)	$3	($839)	$2	$9,910	($938)

Liabilities							
Secured debt							
On-balance sheet securitization debt (a)	($2,754)	**($87) (h)**	**$**	**$556**	**$**	**($2,285)**	**$7 (h)**
Collateralized debt obligations (a)	(248)	**47 (c)**		**20**		**(181)**	**50 (c)**
Total liabilities	($3,002)	**($40)**	**$**	**$576**	**$**	**($2,466)**	**$57**

(a) Carried at fair value due to fair value option election under SFAS 159.

(b) Reported as investment income (loss) in the Condensed Consolidated Statements of Income, except securitization trust interests, which are reported as other income in the Condensed Consolidated Statements of Income.

(c) Reported as investment income (loss) in the Condensed Consolidated Statements of Income.

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

(e) Reported as servicing asset valuation and hedge activities, net in the Condensed Consolidated Statements of Income.

(f) Derivative instruments relating to risks associated with debt are reported as interest expense in the Condensed Consolidated Statements of Income, while derivatives relating to risks associated with mortgage loans held-for-sale are reported as investment income (loss). The remaining derivative earnings are reported as other income in the Condensed Consolidated Statements of Income.

(g) Reported as other operating expenses in the Condensed Consolidated Statements of Income.

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

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

Total liabilities	($7,085)	**$2,626**	**$**	**$1,993**	**$**	**($2,466)**	**$2,966**

(a) Carried at fair value due to fair value option election under SFAS 159.
(b) Reported as investment income in the Condensed Consolidated Statements of Income, except securitization trust interests, which are reported as other income in the Condensed Consolidated Statements of Income.
(c) Reported as investment income in the Condensed Consolidated Statements of Income.
(d) The fair value adjustment is reported as other income, and the related interest is reported as consumer financing revenue in the Condensed Consolidated Statements of Income.
(e) Reported as servicing asset valuation and hedge activities, net in the Condensed Consolidated Statements of Income.
(f) Derivative instruments relating to risks associated with debt are reported as interest expense in the Condensed Consolidated Statements of Income, while derivatives relating to risks associated with mortgage loans held-for-sale are reported as investment income. The remaining derivative earnings are reported as other income in the Condensed Consolidated Statements of Income.
(g) Reported as other operating expenses in the Condensed Consolidated Statements of Income.
(h) The fair value adjustment is reported as other income, and the related interest is reported as interest expense in the Condensed Consolidated Statements of Income.

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Nonrecurring Fair Value

We may be required to measure certain assets and liabilities at fair value from time to time. These periodic fair value measures typically result from the application of lower of cost or fair value accounting or certain impairment measures under GAAP. These items would constitute nonrecurring fair value measures under SFAS 157.

The following table displays the assets and liabilities measured at fair value on a nonrecurring basis.

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

n/m = not meaningful

(a) Represents assets held-for-sale that are required to be measured at lower of cost or fair value in accordance with SFAS No. 65, *Accounting for Certain Mortgage Banking Activities* or SOP 01-6, *Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others*. Only assets with fair values below cost as of September 30, 2008, are included in the table above. The related valuation allowance represents the cumulative adjustment to fair value of those specific loans.
(b) Includes only receivables with a specific reserve established using the fair value of the underlying collateral. The related credit allowance represents the cumulative adjustment to fair value of those specific receivables.
(c) Represents the portion of the commercial portfolio impaired as of September 30, 2008, under SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*. The related credit allowance represents the cumulative adjustment to fair value of those specific receivables.
(d) Represents assets impaired within ResCap s model home portfolio as of September 30, 2008, under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The total loss included in earnings represents adjustments to the fair value of the portfolio based on actual sales during the three months and nine months ended September 30, 2008.
(e) GMAC Home Services is a business unit under contract for sale and impaired as of September 30, 2008, under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The allowance amount represents the difference between the carrying value and the estimated sale price and represents the impact to various balance sheet accounts.
(f) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value less costs to sell.
(g) Represents goodwill impaired as of September 30, 2008, under SFAS No. 142, *Goodwill and Other Intangible Assets*. The entire goodwill balance of our North American Automotive Finance operations and our Commercial Finance Group were deemed to have a fair value of zero as of September 30, 2008.
(h) The total loss included in earnings is the most relevant indicator of the impact on earnings.
(i) We consider the applicable valuation or credit loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. The carrying values are inclusive of the respective valuation or credit loss allowance.

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Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159)

Effective January 1, 2008, we adopted SFAS 159, which 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 are 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.

We elected to measure at fair value certain financial assets and liabilities held by our ResCap operations including certain collateralized debt obligations and certain mortgage loans held-for-investment and related debt held in financing securitization structures that existed as of adoption. Our intent in electing fair value for these items was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities as described in the paragraphs following the table below. The after-tax cumulative effect to retained earnings for these fair value elections was a decrease of $178 million on January 1, 2008.

The following table represents the carrying value of the affected instruments before and after the changes in accounting related to the adoption of SFAS 159.

($ in millions)	December 31, 2007 carrying value before adoption	**Cumulative effect adjustment to January 1, 2008 retained earnings gain (loss)**	**January 1, 2008 carrying value after adoption**
Assets			
Consumer finance receivables and loans, net of unearned income (a)	$10,531	**($3,847)**	**$6,684**
Liabilities			
Secured debt:			
On-balance sheet securitization debt	($10,367)	**$3,633**	**($6,734)**
Collateralized debt obligations	(386)	**35**	**(351)**
Pretax cumulative effect of adopting SFAS 159		**($179)**	
After-tax cumulative effect of adopting SFAS 159		**($178)**	

(a) Includes the removal from the balance sheet of the $489 million of allowance for loan losses.

On-balance Sheet Securitizations

In prior years, ResCap executed certain domestic securitizations that did not meet sale criteria under SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* (SFAS 140). As part of these domestic on-balance sheet securitizations, we typically retained the economic residual interest in the securitization. The economic residual entitles us to excess cash flows that remain at each distribution date after absorbing any credit losses in the securitization. Because sale treatment was not achieved under SFAS 140, the mortgage loan collateral remained on the balance sheet and was classified as consumer finance receivable and loans, the securitization s debt was classified as secured debt, and the economic residuals were not carried on the balance sheet. After execution of the securitizations, we were required under GAAP to continue recording an allowance for credit losses on these held-for-investment loans.

As a result of market conditions and deteriorating credit performance commencing in 2007, economic exposure on certain of these domestic on-balance sheet securitizations were reduced to zero or approximating zero, thus indicating we expected minimal to no future cash flows to be received on the economic residual. While we no longer were economically exposed to credit losses in the securitizations, we were required to continue recording additional allowance for credit losses on the securitization collateral as credit performance

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deteriorated. Further, in accordance with GAAP, we did not record any offsetting reduction in the securitization s debt balances, even though any nonperformance of the assets will ultimately pass through as a reduction of the amount owed to the debt holders, once they are contractually extinguished. As a result, we were required to record accounting losses beyond our economic exposure.

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

As part of the cumulative effect of adopting SFAS 159, we removed various items that were previously included in the carrying value of the respective consumer loans and on-balance sheet securitization debt. We removed $489 million of allowance for credit losses and other net deferred and upfront costs included in the carrying value of the fair value-elected loans and debt. The removal of these items, as well as the adjustment required in order to have the item s carrying value equal fair value at January 1, 2008, resulted in a $3.8 billion decrease recorded to beginning retained earnings for the fair value-elected mortgage loans held-for-investment (of which $556 million was our estimate of the decrease in fair value to credit quality) offset by a $3.6 billion gain related to the elected on-balance sheet securitization debt. These fair value option elections did not have a material impact on our deferred tax balances.

Subsequent to the fair value election for loans held-for-investment, we continued to carry the fair value-elected loans within consumer finance receivable and loans, net of unearned income, on the Condensed Consolidated Balance Sheets. We no longer record allowance for credit losses on these fair value-elected loans, and amortization of net deferred costs/fees no longer occurs because the deferred amounts were removed as part of the cumulative effect of adopting SFAS 159. Our policy is to separately record interest income on the fair value-elected loans unless the loans are placed on nonaccrual status when they are 60 days past due; these amounts continue be classified within consumer financing revenue in the Condensed Consolidated Statements of Income. The fair value adjustment recorded for the loans is classified as other income in the Condensed Consolidated Statements of Income.

Subsequent to the fair value election for the respective on-balance sheet securitization debt, we no longer amortize upfront transaction costs on the fair value-elected securitization debt since these deferred amounts were removed as part of the cumulative effect of adopting SFAS 159. The fair value-elected debt balances continue to be recorded as secured debt on the Condensed Consolidated Balance Sheets. Our policy is to separately record interest expense on the fair value-elected securitization debt, which continues to be classified within interest expense in the Condensed Consolidated Statements of Income. The fair value adjustment recorded for this fair value-elected debt is classified within other income in the Condensed Consolidated Statements of Income.

Collateralized Debt Obligations

Our ResCap operations executed two collateralized debt obligation securitizations in 2004 and 2005 named CDO I and CDO II. Similar to the on-balance sheet securitizations discussed above, we retained certain economic interests in the CDOs that entitled us to the excess cash flows that remain at each distribution date, after absorbing any credit losses in the CDOs. These CDOs were required to be consolidated under FIN 46(R), thus the CDO collateral remained on the Condensed Consolidated Balance Sheets as investment securities. Under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* the collateral is recorded at fair value on the Condensed Consolidated Balance Sheets, with revaluation adjustments recorded through current period earnings. The fair value adjustments related to investment securities are classified within investment income in the Condensed Consolidated Statements of Income. The CDO debt issued to third

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parties, which was required to be carried at amortized cost, was classified as secured debt on the Condensed Consolidated Balance Sheets. Our retained economic interests are not carried on the Condensed Consolidated Balance Sheets.

Similar to the on-balance sheet securitizations discussed above, we experienced significant devaluation in our retained economic interests in the on-balance sheet CDO transactions during 2007. The devaluation of our retained economic interests was primarily the result of cash flows being contractually diverted away from our retained interest to build cash reserves as a direct result of certain failed securitization triggers and significant illiquidity in the CDO market. While our economic exposure was reduced to approximately zero, as evidenced by our retained economic interest values, we continued writing down the CDO collateral with no offsetting reduction in the associated CDO debt balances. Thus, prior to fair value option election, we were recording accounting losses beyond our economic exposure. In order to mitigate the divergence between accounting losses and economic exposure, we elected the fair value option for the debt balances recorded for CDO I and CDO II on January 1, 2008.

As part of the cumulative effect of adopting SFAS 159, we removed deferred upfront securitization costs related to CDO I and CDO II. The removal of the deferred deal costs, as well as the adjustment required to have the item s carrying value equal fair value at January 1, 2008, resulted in a net cumulative-effect adjustment recorded to beginning retained earnings of $35 million. These fair value option elections did not have a material impact on our deferred tax balances.

Subsequent to the fair value option election for the CDO debt, we no longer amortize upfront securitization costs for these transactions, as these amounts were removed as part of the cumulative effect of adopting SFAS 159. The fair value-elected CDO debt balances continue to be carried within secured debt on the Condensed Consolidated Balance Sheets. Our policy is to separately record interest expense on the CDO debt, which continues to be classified within interest expense in the Condensed Consolidated Income Statements. The fair value adjustment recorded for the CDO debt is classified within investment income in the Condensed Consolidated Income Statements.

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The following summarizes the fair value option elections and information regarding the amounts recorded within earnings for each fair value option elected item.

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

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

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

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

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

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

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

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

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

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

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

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

September 30, 2008 *($ in millions)*	**Unpaid principal balance**	**Loan advances/ other**	**Accrued interest**	**Fair value allowance**	**Fair value**
Assets					
Consumer finance receivables and loans, net of unearned income:					
Total loans	**$9,184**	**($142)**	**$96**	**($6,928)**	**$2,210**
Nonaccrual loans	**1,730**	**(b)**	**(b)**	**(b)**	**(b)**
Loans 90+ days past due (a)	**1,325**	**(b)**	**(b)**	**(b)**	**(b)**
Liabilities					
Secured debt:					
On-balance sheet securitization debt	**($8,773)**	**($2)**	**($20)**	**$6,510**	**($2,285)**
Collateralized debt obligations	**(311)**		**(1)**	**131**	**(181)**
Total secured debt	**($9,084)**	**($2)**	**($21)**	**$6,641**	**($2,466)**

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

(b) The fair value of loans held-for-sale is calculated on a pooled basis, which does not allow us to reliably estimate the fair value of loans 90+ days past due or nonaccrual loans. As a result, the fair value of these loans is not included in the table above. For further discussion regarding the pooled basis, refer to the previous section of this note titled, Consumer finance receivables, net of unearned income.

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14. Segment Information

Financial results for our reportable segments are summarized below.

Three months ended September 30, ($ in millions)	Global Automotive Finance operations (a) North American operations (a)	International operations (b)	ResCap	Insurance operations	Other (c)	Consolidated
2008						
Net financing (loss) revenue	**($32)**	**$103**	**($62)**	**$**	**$221**	**$230**
Other revenue (loss)	**660**	**213**	**(75)**	**1,147**	**(460)**	**1,485**
Total net revenue (loss)	**628**	**316**	**(137)**	**1,147**	**(239)**	**1,715**
Provision for credit losses	**390**	**47**	**652**		**10**	**1,099**
Impairment of goodwill and other intangible assets	**14**				**2**	**16**
Total other noninterest expense	**547**	**340**	**1,141**	**1,043**	**150**	**3,221**
(Loss) income before income tax (benefit) expense	**(323)**	**(71)**	**(1,930)**	**104**	**(401)**	**(2,621)**
Income tax (benefit) expense	**(73)**	**(27)**	**(18)**	**7**	**13**	**(98)**
Net (loss) income	**($250)**	**($44)**	**($1,912)**	**$97**	**($414)**	**($2,523)**
Total assets	**$123,394**	**$34,045**	**$57,945**	**$12,459**	**($16,516)**	**$211,327**
2007						
Net financing revenue (loss)	$119	$203	($61)	$	$129	$390
Other revenue (loss)	809	225	(381)	1,283	(73)	1,863
Total net revenue (loss)	928	428	(442)	1,283	56	2,253
Provision for credit losses	52	33	881		(2)	964
Impairment of goodwill and other intangible assets			455			455
Total other noninterest expense	428	266	617	1,125	62	2,498

Income (loss) before income tax expense (benefit)	448	129	(2,395)	158	(4)	(1,664)
Income tax expense (benefit)	10	13	(134)	41	2	(68)
Net income (loss)	$438	$116	($2,261)	$117	($6)	($1,596)
Total assets	$127,336	$32,968	$110,141	$14,511	($4,547)	$280,409

(a) North American operations consists of automotive financing in the United States, Canada, and Puerto Rico. 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, certain equity investments, other corporate activities, and reclassifications and eliminations between the reportable operating segments.

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Nine months ended September 30, ($ in millions)	Global Automotive Finance operations (a) North American operations (a)	International operations (b)	ResCap	Insurance operations	Other (c)	Consolidated
2008						
Net financing (loss) revenue	**($634)**	**$556**	**($163)**	**$**	**$666**	**$425**
Other revenue (loss)	**1,938**	**861**	**(551)**	**3,639**	**(873)**	**5,014**
Total net revenue (loss)	**1,304**	**1,417**	**(714)**	**3,639**	**(207)**	**5,439**
Provision for credit losses	**755**	**151**	**1,414**		**23**	**2,343**
Impairment of goodwill and other intangible assets	**14**				**2**	**16**
Total other noninterest expense	**1,571**	**1,036**	**2,438**	**3,175**	**360**	**8,580**
(Loss) income before income tax (benefit) expense	**(1,036)**	**230**	**(4,566)**	**464**	**(592)**	**(5,500)**
Income tax (benefit) expense	**(86)**	**33**	**65**	**100**	**(18)**	**94**
Net (loss) income	**($950)**	**$197**	**($4,631)**	**$364**	**($574)**	**($5,594)**
Total assets	**$123,394**	**$34,045**	**$57,945**	**$12,459**	**($16,516)**	**$211,327**
2007						
Net financing revenue	$186	$621	$168	$	$367	$1,342
Other revenue (loss)	2,292	637	735	3,621	(119)	7,166
Total net revenue	2,478	1,258	903	3,621	248	8,508
Provision for credit losses	217	106	1,749		3	2,075
Impairment of goodwill and other intangible assets			455			455
Total other noninterest expense	1,156	788	2,149	3,084	168	7,345
Income (loss) before income tax expense (benefit)	1,105	364	(3,450)	537	77	(1,367)
Income tax expense (benefit)	47	75	(25)	146	(2)	241

Net income (loss)	$1,058	$289	($3,425)	$391	$79	($1,608)
Total assets	$127,336	$32,968	$110,141	$14,511	($4,547)	$280,409

(a) North American operations consists of automotive financing in the United States, Canada, and Puerto Rico. 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, certain equity investments, other corporate activities, and reclassifications and eliminations between the reportable operating segments.

15. Restructuring Charges

On September 3, 2008, ResCap announced additional restructuring initiatives to optimize the mortgage business as the downturn in the credit and mortgage market persist. In response to the conditions, ResCap has enacted a plan to significantly streamline its operations, reduce costs, adjust its lending footprint, and refocus its resources on strategic lending and servicing. During the nine months ended September 30, 2008, ResCap incurred restructuring charges of $76 million related to this plan.

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Previously on October 17, 2007, ResCap announced a restructuring plan that would reduce its workforce, streamline its operations, and revise its cost structure. During the nine months ended September 30, 2008, ResCap incurred restructuring charges of $34 million related to this plan.

On February 20, 2008, we announced a restructuring of our North American Automotive Finance operations to reduce costs, streamline operations, and position the business for scalable growth. During the nine months ended September 30, 2008, our North American Automotive Finance operations incurred restructuring charges of $48 million related to this plan.

In addition to the announced restructuring plans described above, our International Automotive Finance operations and Insurance operations incurred additional restructuring charges of $22 million during the nine months ended September 30, 2008.

The restructuring charges primarily include severance pay, the buyout of employee agreements, and lease terminations and are classified as other operating expenses in our Condensed Consolidated Statements of Income. The following table summarizes by category, restructuring charge activity for the nine months ended September 30, 2008.

($ in millions)	Liability balance at December 31, 2007	**Restructuring charges through**	**Cash paid or otherwise settled through**	**Liability balance at**
		September 30, 2008		
Restructuring charges:				
Employee severance	$32	**$135**	**$87**	**$80**
Lease termination	45	**30**	**35**	**40**
Other		**16**	**15**	**1**
Total restructuring charges	$77	**$181**	**$137**	**$121**

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

Overview

GMAC is a leading, independent, globally diversified, financial services firm with approximately $211 billion of assets at September 30, 2008. Founded in 1919 as a wholly owned subsidiary of General Motors Corporation (General Motors or GM), GMAC was 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 an affiliate of 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 Global 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, 2008 and 2007. 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)	**2008**	2007	**Favorable/ (unfavorable) % change**	**2008**	2007	**Favorable/ (unfavorable) % change**
Total net revenue (loss)						
Global Automotive Finance	**$944**	$1,356	**(30)**	**$2,721**	$3,736	**(27)**
ResCap	**(137)**	(442)	**69**	**(714)**	903	**(179)**
Insurance	**1,147**	1,283	**(11)**	**3,639**	3,621	
Other	**(239)**	56	**n/m**	**(207)**	248	**(183)**
Total	**$1,715**	$2,253	**(24)**	**$5,439**	$8,508	**(36)**
Net (loss) income						
Global Automotive Finance	**($294)**	$554	**(153)**	**($753)**	$1,347	**(156)**
ResCap	**(1,912)**	(2,261)	**15**	**(4,631)**	(3,425)	**(35)**
Insurance	**97**	117	**(17)**	**364**	391	**(7)**
Other	**(414)**	(6)	**n/m**	**(574)**	79	**n/m**
Total	**($2,523)**	($1,596)	**(58)**	**($5,594)**	($1,608)	**(248)**

n/m = not meaningful

Our Global Automotive Finance operations offer a wide range of financial services and products (directly and indirectly) to retail automotive consumers, automotive dealerships, and other commercial businesses. Our Global

Automotive Finance operations consist of two separate reportable segments North American Automotive Finance operations and International Automotive Finance operations. The products and services offered by our Global Automotive Finance operations include the purchase of retail installment sales contracts and leases, offering of term loans, dealer floor plan financing and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. Whereas most of our operations focus on prime automotive financing to and through GM or GM-affiliated dealers, our Nuvell operations, which is part of our North American Automotive Finance operations, focuses on nonprime automotive financing through GM-affiliated dealers and also provides private-label automotive financing. Our National operations, which is also part of our North American Automotive Finance operations, focuses on prime and nonprime financing through non-GM dealers. In addition, our Global Automotive Finance operations utilize asset securitization and whole-loan sales as a critical component of our diversified funding strategy.

In response to the current credit environment and other market conditions, our North American Automotive Finance operations has temporarily implemented a more conservative purchase policy for consumer automotive financing. Specifically, in the United States we have generally limited purchases to contracts with customers having a credit score of 700 or above, and have restricted contracts with higher advance rates and longer terms. We have also recently increased the rates we charge dealers for nonincentivized consumer automotive financing. These changes in pricing and underwriting are related to the current market environment, which have reduced our access to funding and increased our cost of funds. Additionally, our International Automotive Finance operations recently announced plans to cease retail and wholesale originations in Australia, New Zealand, and retail originations in certain European markets and further plans to implement a more conservative pricing policy throughout remaining European markets to more closely align lending activity with the current capital markets. We expect these actions to remain in place until the credit markets stabilize and accessibility improves. While future market conditions remain uncertain, we expect global automotive financing volume to decrease in the near term as a result of these actions.

Our ResCap operations engage in the origination, purchase, servicing, sale, and securitization of consumer (i.e., residential) 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. In response to market conditions, ResCap has significantly reduced its production of loans that do not conform to the underwriting guidelines of Fannie Mae and Freddie Mac. ResCap has further curtailed activities related to both its business capital group, which provides financing and equity capital to residential land developers and homebuilders and its international business group, which includes substantially all of its operations outside of the United States. Certain agreements are in place between ResCap and us that restrict ResCap s ability to declare dividends or prepay subordinated indebtedness owed to us and inhibit our ability to return funds for dividend and debt payments.

Our Insurance operations offer vehicle service contracts and underwrite personal automobile insurance coverages (ranging from preferred to nonstandard risks), homeowners insurance coverage, and selected commercial insurance and reinsurance coverages in the United States and internationally. We are a leading provider of vehicle service contracts with mechanical breakdown and maintenance coverages. Our vehicle service contracts offer vehicle owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer s new vehicle warranty. 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, our subsidiary ABA Seguros provides certain commercial business insurance exclusively in Mexico.

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

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Consolidated Results of Operations

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

	Three months ended September 30,			Nine months ended September 30,		
($ in millions)	**2008**	2007	**Favorable/ (unfavorable) % change**	**2008**	2007	**Favorable/ (unfavorable) % change**
Revenue						
Total financing revenue	**$4,641**	$5,381	**(14)**	**$14,395**	$15,994	**(10)**
Interest expense	**2,906**	3,715	**22**	**8,953**	11,122	**20**
Depreciation expense on operating lease assets	**1,412**	1,276	**(11)**	**4,209**	3,530	**(19)**
Impairment of investment in operating leases	**93**		**n/m**	**808**		**n/m**
Net financing revenue	**230**	390	**(41)**	**425**	1,342	**(68)**
Other revenue						
Net loan servicing income	**180**	425	**(58)**	**1,341**	1,086	**23**
Insurance premiums and service revenue earned	**1,123**	1,143	**(2)**	**3,355**	3,235	**4**
Gain (loss) on mortgage and automotive loans, net	**25**	(320)	**108**	**(1,674)**	42	**n/m**
Investment (loss) income	**(216)**	13	**n/m**	**(263)**	548	**(148)**
Other income	**373**	602	**(38)**	**2,255**	2,255	
Total other revenue	**1,485**	1,863	**(20)**	**5,014**	7,166	**(30)**
Total net revenue	**1,715**	2,253	**(24)**	**5,439**	8,508	**(36)**
Provision for credit losses	**1,099**	964				