GMAC INC.
Form 10-K
March 01, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009, or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 1-3754

GMAC INC.

(Exact name of registrant as specified in its charter)

Delaware	**38-0572512**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

200 Renaissance Center

P.O. Box 200 Detroit, Michigan

48265-2000

(Address of principal executive offices)

(Zip Code)

(866) 710-4623

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act (all listed on the New York Stock Exchange):

Title of each class	
8 $^{7}/8$% Notes due June 1, 2010	7.30% Public Income Notes (PINES) due March 9, 2031
6.00% Debentures due April 1, 2011	7.35% Notes due August 8, 2032
10.00% Deferred Interest Debentures due December 1, 2012	7.25% Notes due February 7, 2033
10.30% Deferred Interest Debentures due June 15, 2015	7.375% Notes due December 16, 2044

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

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

Aggregate market value of voting and nonvoting common equity held by nonaffiliates: GMAC Inc. common equity is not registered with the Securities and Exchange Commission and there is no ascertainable market value for such common equity.

At February 25, the number of shares outstanding of the Registrant s common stock was 799,120 shares.

Documents incorporated by reference. None.

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Part I

GMAC Inc.   Form 10-K

Item 1. Business
General

GMAC Inc. was founded in 1919 as a wholly owned subsidiary of General Motors Corporation (currently General Motors LLC or GM). We are a leading, independent, globally diversified, financial services firm with $172 billion in assets and operations in approximately 40 countries. On December 24, 2008, the Board of Governors of the Federal Reserve System approved our application to become a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act). Our banking subsidiary is Ally Bank, which is an indirect wholly owned subsidiary of GMAC Inc. The terms GMAC, the Company, we, our, and us refer to GMAC Inc. and its subsidiaries as a consolidated entity, except where it is clear that the terms means only GMAC Inc.

Our Business

Global Automotive Services and Mortgage are our primary lines of business. The following table reflects the primary products and services offered by the continuing operations of each of our lines of business.

Global Automotive Services

Our Global Automotive Services operations offer a wide range of financial services and insurance products to retail automotive consumers, automotive dealerships, and other commercial businesses. Our automotive finance services include purchasing retail installment sales contracts and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. We also offer vehicle service contracts and selected commercial insurance coverages in the United States and internationally. We are a leading provider of vehicle service contracts with mechanical breakdown and maintenance coverages, and we provide commercial insurance primarily covering dealers   wholesale vehicle inventory.

Historically, our Global Automotive Services operations have concentrated on GM-franchised dealers and their customers. On November 30, 2006, in connection with the sale by GM of a 51% interest in GMAC, GM and GMAC entered into an agreement that, subject to certain conditions and limitations, whenever GM offers vehicle financing and leasing incentives to customers, it would do so exclusively through GMAC. In connection with the approval of GMAC   s application to become a bank holding company, GM and GMAC modified this agreement on December 29, 2008. As a result of these modifications: (1) through December 29, 2010, GM can offer retail financing incentive programs through a third-party financing source under certain specified circumstances, and in some cases subject to the limitation that pricing offered by the third party meets certain restrictions, and after December 29, 2010, GM can offer any incentive programs on a graduated basis through third parties on a nonexclusive, side-by-side basis with GMAC, provided that the pricing of the third parties meets certain requirements; (2) GMAC will have no obligation to provide operating lease financing products; and (3) GMAC will have no targets against which it could be assessed penalties. The modified agreement will expire on December 24, 2013. A primary objective of the agreement continues to be supporting distribution and marketing of GM products.

On April 30, 2009, we entered into an agreement with Chrysler LLC (Chrysler) to provide automotive financing products and services to Chrysler dealers and customers. We are Chrysler   s preferred provider of new wholesale financing for dealer inventory in the United States, Canada, and Mexico, along with other international markets upon the mutual agreement of the parties. We will provide dealer financing and services and retail financing to Chrysler dealers and customers as we deem appropriate according to our credit policies and in our sole discretion. Chrysler is obligated to provide us with certain exclusivity privileges including the use of GMAC for designated minimum threshold percentages of certain of Chrysler   s retail financing subvention programs. The agreement extends through April 30, 2013, with automatic one-year renewals unless either we or Chrysler provides sufficient notice of nonrenewal.

Automotive Finance

We provide automotive financing services to consumers and to automotive dealers and other businesses. To fund these lending activities, we have recently relied primarily on bank deposit funding at Ally Bank, asset securitizations, whole-loan sales through our forward flow agreements, and debt offerings.

For consumers, we offer retail automotive financing and leasing for new and used vehicles. In the United States, retail financing for the purchase of vehicles takes the form of installment sale financing. When we refer to consumer automotive loans in this document, we are including retail installment sales financing unless the context suggests otherwise. During 2009, we originated a total of 1.1 million automotive loans and leases totaling approximately $25.7 billion. We provided financing for 20% of GM   s global retail sales. For additional information about our relationship and business transactions with GM, refer to Note 25 to the Consolidated Financial Statements and Item 13. Certain Relationships and Related Transactions, and Director Independence.

Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. We also recognize a gain or loss on the remarketing of the vehicles financed through lease contracts. When the lease contract is originated, we estimate the residual value of the leased vehicle at lease termination stated as a percentage of the manufacturer   s suggested retail price. At lease termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimate, which is revised over time.

GM or Chrysler may elect as a marketing incentive to sponsor special financing programs for retail sales of their respective vehicles. The manufacturer can lower the financing rate paid by the customer on either a retail contract or a lease by paying us the present value of the difference between the customer rate and our standard market rates at contract inception. These marketing incentives are referred to as rate support or subvention. GM may also from time to time offer lease pull-ahead programs, which encourage consumers to terminate leases early if they acquire a new GM vehicle. As part of these programs, we waive all or a portion of the customer s remaining payment obligation. In most cases, GM compensates us for a portion of the foregone revenue from those waived payments and our remarketing sale proceeds are typically higher than otherwise would be realized if the vehicle had been remarketed at lease contract maturity. Historically, the manufacturer elected to lower a customer s lease payments through a residual support incentive program; in these instances, the manufacturer and we agreed to increase the projected value of the vehicle at the time the lease contract was signed, and the manufacturer reimbursed us if the remarketing sales proceeds were less than the adjusted residual value. We currently do not have any residual support incentive programs on leases originated in 2009 with any manufacturers.

Our commercial automotive financing operations fund dealer purchases of new and used vehicles through wholesale or floorplan financing. Additional commercial offerings include automotive dealer term loans, revolving lines of credit, and dealer fleet financing. During 2009, we financed 4.1 million vehicles through wholesale or floorplan financings. We financed 78% of GM s sales during 2009.

Wholesale automotive financing represents the largest portion of our commercial automotive financing business. We extend lines of credit to individual dealers. In general, each wholesale credit line is secured by all the vehicles financed and, in some instances, by other assets owned by the dealer or by a personal guarantee. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles. Interest on wholesale automotive financing is generally payable monthly and is usually indexed to a floating rate benchmark. The rate for a particular dealer is based on the dealer s creditworthiness and eligibility for various incentive programs, among other factors.

Insurance

Our Insurance operations offer both consumer and commercial insurance products sold primarily through the dealer channel. We provide vehicle extended service contracts and underwrite selected commercial insurance coverages in the United States and internationally (primarily covering dealers wholesale vehicle inventory) as well as personal automobile insurance in certain countries outside the United States. We sell vehicle extended service contracts with mechanical breakdown and maintenance coverages.

Our vehicle extended service contracts for retail customers offer owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer s new vehicle warranty. These extended service contracts are marketed to the public through automotive dealerships and on a direct response basis in the United States and Canada. The extended service contracts cover virtually all vehicle makes and models. We also offer guaranteed asset protection (GAP) products, which allow the recovery of a specified economic loss beyond the covered vehicle s value in the event the vehicle is damaged and declared a total loss. Our U.K.-based Car Care Plan subsidiary provides automotive extended service contracts and GAP products in Europe and Latin America.

Wholesale vehicle inventory insurance for dealers provides physical damage protection for dealers floorplan vehicles. Dealers are generally required to maintain this insurance by their floorplan finance provider. We offer vehicle inventory insurance in the United States to virtually all new car franchised dealerships. Through our international operations, we reinsure dealer vehicle inventory and other lines of insurance in Europe, Latin America, and Asia Pacific. International operations also manage a fee-focused insurance program through which commissions are earned from third-party insurers offering insurance products primarily to GMAC customers worldwide.

Our ABA Seguros subsidiary provides personal automobile insurance and certain commercial insurance in Mexico. We also provide personal automobile insurance in Canada. In addition, there are brokerage, agency, and consultancy operations in the United States and internationally.

A significant aspect of our Insurance operations is the investment of proceeds from premiums and other revenue sources. We will use these investments to satisfy our obligations related to future claims at the time these claims are settled. Our Insurance operations have an Investment Committee, which develops guidelines and strategies for these investments. The guidelines established by this committee reflect our risk tolerance, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

Mortgage

Our continuing Mortgage operations are focused primarily on the residential real estate market in the United States and Canada. We engage in the origination, purchase, servicing, sale, and securitization of consumer (i.e., residential) mortgage

loans and mortgage-related products. Mortgage operations include the Residential Capital, LLC (ResCap) legal entity, the mortgage operations of Ally Bank in the United States, and the mortgage operations of ResMor Trust in Canada.

The principal activities of our domestic residential finance business include originating, purchasing, selling, and securitizing residential mortgage loans; servicing residential mortgage loans for ourselves and others; and providing collateralized lines of credit to other mortgage originators, which we refer to as warehouse lending. During 2009, we originated or purchased 311,917 mortgage loans totaling approximately $66.1 billion. In response to market conditions, our Mortgage operations have substantially eliminated production of loans that do not conform to the underwriting guidelines of Fannie Mae, Freddie Mac, and Ginnie Mae in the United States. We are the sixth largest producer and fifth largest servicer of residential mortgage loans in the United States (as ranked by *Inside Mortgage Finance*).

The Mortgage operations international residential finance business includes substantially all mortgage activities outside of the United States. Due to market conditions and our decision to reduce our exposure internationally and classify certain operations as discontinued, mortgage loan production in the foreign markets in which we operate has been suspended with the exception of insured mortgages in Canada.

The Mortgage operations also historically provided financing and equity capital to residential land developers and homebuilders through its domestic capital platform. These activities have been curtailed and are being managed to maximize our return.

We sell most of the mortgage loans we originate or purchase. In 2009, we sold $63.0 billion in mortgage loans. We typically sell prime conforming mortgage loans in sales that take the form of securitizations guaranteed by Fannie Mae or Freddie Mac, and typically sell government mortgage loans in securitizations guaranteed by Ginnie Mae. In 2009, we sold $54.8 billion of mortgage loans to government-sponsored enterprises, or 87.0% of the total loans sold, $6.9 billion to other investors through whole-loan sales, and $1.3 billion in nonagency securitizations (also referred to as private label securitizations).

Our sale and agency securitization activities include developing asset sale or retention strategies, conducting pricing and hedging activities, and coordinating the execution of whole-loan sales and securitizations.

On December 31, 2009, we announced that due to our ongoing strategic review of how to best deploy GMAC s current and future liquidity, we decided to pursue strategic alternatives with respect to ResCap and committed to a plan involving a series of specific actions related to management s intent to sell certain ResCap related assets and businesses. These actions resulted in the reclassification of certain international and domestic mortgage-related assets and businesses of ResCap from held-for-investment to held-for-sale, which included ResCap s United Kingdom operations, continental Europe operations, and certain domestic assets. In order to maximize value, we will consider a variety of options including one or more sales, spin-offs, or other potential transactions. The timing and form of execution of any such transaction will depend on market conditions. We believe these transactions should minimize the impact of any significant future losses related to ResCap s legacy mortgage business and position us to explore strategic alternatives for ResCap.

Corporate and Other

Our Commercial Finance Group is included within Corporate and Other. Our Commercial Finance Group provides asset-based lending, factoring and structured finance products to small and medium sized businesses primarily in the United States.

Industry and Competition

The financial services industry is highly competitive. We compete with other financial services providers including captive automotive finance companies, banks, savings and loan associations, credit unions, finance companies, mortgage banking companies, and insurance companies. Many of these competitors benefit from lower cost structures and frequently have fewer regulatory constraints.

In 2008 and 2009, the credit and capital markets were severely disrupted. This market dislocation significantly reduced overall liquidity in the consumer finance industry from many sources including the automotive and mortgage asset-backed securitization markets, the commercial paper market, and the long-term unsecured credit market. While these developments adversely impacted us and many of our competitors, many of these same competitors historically had been able to access capital at a lower cost than us. As a result of our conversion to a bank holding company, we have increased our use of deposits, which are becoming one of our largest sources of funding and the key source of funding at

Ally Bank. We compete with other deposit-taking institutions such as banks, thrifts, and credit unions for deposits.

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The automotive and housing markets were disrupted as well. New vehicle demand decreased, which in turn caused automotive loan and lease production to contract across the industry. This intensified competition among automotive finance providers. At the same time, the turmoil in the housing and real estate finance markets undermined the financial performance of many participants in the mortgage industry.

During 2009, the insurance marketplace experienced an increase in the frequency of claims due to increased miles driven as a result of lower fuel prices in comparison with 2008. High unemployment also contributed to an increase in instances of insurance fraud. Published reports have suggested that these factors have negatively affected claim loss costs for the majority of industry participants compared to 2008.

There has been significant consolidation within the financial services industry recently. Continued consolidation may adversely impact our competitive position in several respects, including increased pressure on pricing, a reduction in our market share, and the creation of stronger competitors with greater resources, larger market position, or a lower cost structure.

Certain Regulatory Matters

We are subject to various regulatory, financial, and other requirements of the jurisdictions in which our businesses operate. In light of current conditions in the global financial markets, regulators have increased their focus on the regulation of the financial services industry. As a result, proposals for legislation that could increase the scope and nature of regulation of the financial services industry are possible. The following is a description of some of the primary regulations that currently affect our business.

Bank Holding Company Status

On December 24, 2008, and in connection with the conversion of GMAC Bank (currently, Ally Bank) from a Utah-chartered industrial bank into a Utah-chartered commercial nonmember bank, GMAC Inc. and IB Finance Holding Company, LLC (IB Finance) were each approved as bank holding companies under the BHC Act. IB Finance is the direct holding company for GMAC s FDIC-insured depository institution, Ally Bank. As a result, we are subject to the supervision and examination of the Board of Governors of the Federal Reserve System (the FRB). As a bank holding company, GMAC is mandated to comply with various reporting requirements by the FRB and is subject to examination. GMAC must also comply with regulatory risk-based and leverage capital requirements, as well as various safety and soundness standards imposed by the FRB, and is subject to certain statutory restrictions concerning the types of assets or securities it may own and the activities in which it may engage. The FRB has the authority to issue orders to bank holding companies to cease and desist from unsafe or unsound banking practices and from violations of laws, rules, regulations, or conditions imposed in writing by the FRB. The FRB is also empowered to assess civil money penalties against institutions or individuals who violate any laws, regulations, orders, or written agreements with the FRB; to order termination of certain activities of nonbanking subsidiaries of bank holding companies; and to order termination of ownership and control of a nonbanking subsidiary by a bank holding company. In addition, as a bank that is not a member of the Federal Reserve System, Ally Bank is subject to regulation and examination primarily by the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions. GMAC s nonbank subsidiaries generally are subject to regulation by their functional regulators including the applicable state insurance regulatory agencies in the case of our insurance subsidiaries, and the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority, and/or state securities regulators in the case of our securities subsidiaries, as well as by the FRB and our foreign subsidiaries are subject to regulation by applicable foreign regulatory agencies.

Permitted Activities As a bank holding company, subject to certain exceptions, we are not permitted to acquire more than 5% of any class of voting shares of any nonaffiliated FDIC-insured depository institution or more than 25% of any other company without first obtaining FRB approval. Furthermore, the activities of GMAC are generally limited to banking or to managing or controlling banks or other companies engaged in activities deemed closely related to banking or otherwise permissible under the Bank Holding Company Act. Likewise, GMAC generally may not hold more than 5% of any class of voting shares of any company unless that company s activities conform with the above requirements. As a recent bank holding company, however, we are permitted a two-year grace period to bring our activities into conformity with these restrictions (we may apply to the FRB for three one-year extensions). This initial grace period expires in December 2010 (unless extended by the FRB), and absent an extension, certain of GMAC s existing activities deemed impermissible under the Bank Holding Company Act must be terminated or disposed of within these timeframes. For further information, refer to Item 1A., Risk Factors.

Gramm-Leach-Bliley Act of 1999 The enactment of the Gramm-Leach-Bliley Act of 1999 (GLB Act) eliminated large parts of a regulatory framework that had its origins in the Depression era of the 1930s. Effective with its enactment, new opportunities became available for banks, other depository institutions, insurance companies, and securities firms to enter into combinations that permit a single financial services organization to offer customers a more comprehensive array of financial products and services. To further this goal, the GLB Act amended the BHC Act by providing a new regulatory framework applicable to financial holding companies, which are bank holding companies that meet certain qualifications and elect to become financial holding companies. The FRB regulates, supervises, and examines financial holding companies, as it does all bank holding companies. However, insurance and securities activities conducted by a financial holding company or its nonbank subsidiaries are regulated primarily by functional regulators. As a bank holding company, we are eligible to convert to a financial holding company subject to satisfying certain regulatory requirements applicable to us and to Ally Bank (and any depository institution subsidiary that we may acquire in the future). As a financial holding company, GMAC would then be permitted to engage in a broader range of financial and related activities than those that are permissible for bank holding companies, in particular, securities, insurance, and merchant banking activities.

Capital Adequacy Requirements GMAC and Ally Bank are subject to various guidelines as established under FRB and FDIC regulations. Refer to Note 20 to the Consolidated Financial Statements for additional information.

Limitations on Bank Holding Company Dividends and Capital Distributions Utah law (and, in certain instances, federal law) places restrictions and limitations on the amount of dividends or other distributions payable by our banking subsidiary, Ally Bank, to GMAC. With respect to dividends payable by GMAC to its shareholders, it is the policy of the FRB that bank holding companies should pay cash dividends on common stock only out of current operating earnings and only if prospective earnings retention is consistent with the organization s expected future needs and financial conditions. The federal bank regulatory agencies are also authorized to prohibit a banking subsidiary or bank holding company from engaging in unsafe or unsound banking practices and, depending upon the circumstances, could find that paying a dividend or making a capital distribution would constitute an unsafe or unsound banking practice.

Transactions with Affiliates Certain transactions between Ally Bank and any of its nonbank affiliates are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, any covered transaction between Ally Bank and its nonbank affiliates (1) generally is limited to 10% of Ally Bank s capital stock and surplus with an aggregate limit of 20% of Ally Bank s capital stock and surplus for all such transactions; (2) in the case of certain credit transactions, is subject to stringent collateralization requirements; (3) in the case of an asset purchase by Ally Bank, may not involve the purchase of any asset deemed to be a low quality asset under federal banking guidelines; and (4) must be conducted in accordance with safe and sound banking practices (collectively, the Affiliate Transaction Restrictions). Furthermore, there is an attribution rule that provides that a transaction between Ally Bank and a third party will be treated as a transaction between Ally Bank and an affiliate to the extent that the proceeds of the transaction are used for the benefit of, or transferred to, an affiliate of Ally Bank.

For the time being, GM and Ally Bank are deemed to be affiliates for purposes of the Affiliate Transaction Restrictions because of the level of GM s continued ownership in GMAC. Moreover, because GMAC controls Ally Bank, GMAC is also an affiliate of Ally Bank for purposes of the Affiliate Transaction Restrictions.

The FRB is authorized to exempt, in its discretion, transactions or relationships from the requirements of these rules if it finds such exemptions to be in the public interest and consistent with the purposes of the rules. Ally Bank has received two such exemptions granted on December 24, 2008, and on May 21, 2009, enabling Ally Bank to extend a certain amount of credit (1) to dealers floorplanning new GM vehicles and (2) to consumers purchasing new GM vehicles or purchasing vehicles, regardless of manufacturer, that were floorplanned by GMAC. The attribution rule applies to these extensions of credit because most of the Ally Bank funding is ultimately transferred to GMAC and/or GM, and in the absence of the exemption letters, these transactions would otherwise be subject to the stringent requirements of the Affiliate Transaction Restrictions. For further information with respect to these restrictions, refer to Item 1A., Risk Factors.

These two exemptions are subject to several conditions. Such conditions include, among others, an overall cap in outstanding covered transactions entered into pursuant to the exemptions as well as limitations on customers to whom credit may be extended and the terms of such credit extensions. These limited exemptions described above generally do not apply to consumer leasing and generally do not permit Ally Bank to provide any dealer floorplan financing for used GM vehicles. Until such time as either GM is no longer an affiliate of Ally Bank or we are unable to obtain further exemption or waivers with respect to these restrictions, the ability to grow Ally Bank will be impacted by the conditions set forth in these exemption letters.

Source of Strength Pursuant to FRB policy and regulations and under the Parent Company Agreement (PA) and the Capital and Liquidity Maintenance Agreement (CLMA) as described in Note 20 to the Consolidated Financial Statements, GMAC is expected to act as a source of strength to Ally Bank and is required to commit necessary capital and liquidity to support Ally Bank. This support may be required at inopportune times for GMAC.

Other Regulatory Restrictions The PA requires Ally Bank to obtain FDIC approval prior to engaging in certain affiliate transactions and for any major deviation or material change from its business plan until 2015. The PA also requires GMAC and IB Finance to submit certain periodic reports to the FDIC and to consent to examination by the FDIC to monitor compliance with the PA and certain other agreements with the FDIC.

Troubled Asset Relief Program

As part of the Automotive Industry Financing Program created under the Troubled Asset Relief Program (TARP) established by the U.S. Department of Treasury (the Treasury) under the Emergency Economic Stabilization Act of 2008 (the EESA), GMAC has entered into agreements pursuant to which the Treasury has purchased preferred stock of GMAC. As a result of these investments, subject to certain exceptions, GMAC and its subsidiaries are generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing or acquiring, any common stock without consent of the Treasury. GMAC has further agreed that, until the Treasury ceases to hold GMAC preferred stock, GMAC will comply with certain restrictions on executive privileges and compensation. GMAC must also take all necessary action to ensure that its corporate governance and benefit plans with respect to its senior executive officers comply with Section 111(b) of the EESA as implemented by any guidance or regulation under the EESA including the Treasury s guidelines set forth in Notice 2008-PSSFI. For further details regarding these restrictions on compensation as a result of TARP investments, refer to the Compensation Discussion and Analysis in Item 11.

Depository Institutions

On December 24, 2008, Ally Bank received approval from the Utah Department of Financial Institutions (UDFI) to convert from an industrial bank to a commercial nonmember state chartered bank. Ally Bank, which provides services to both our North American Automotive Finance and Mortgage operations, was previously chartered as an industrial bank pursuant to the laws of Utah, and its deposits are insured by the FDIC. GMAC is required to file periodic reports with the FDIC concerning its financial condition. Assets in Ally Bank were $55.3 billion and $32.9 billion as of December 31, 2009 and 2008, respectively.

As a commercial nonmember bank chartered by the State of Utah, as mentioned above, Ally Bank is subject to various regulatory capital adequacy requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on Ally Bank s results of operations and financial condition. As of December 31, 2009, we were in compliance with our regulatory capital requirements. For an additional discussion of capital adequacy requirements, refer to Note 20 to the Consolidated Financial Statements.

International Banks, Finance Companies, and Other Non-U.S. Operations

Certain of our foreign subsidiaries operate in local markets as either banks or regulated finance companies and are subject to regulatory restrictions. These regulatory restrictions, among other things, require that our subsidiaries meet certain minimum capital requirements and may restrict dividend distributions and ownership of certain assets. Total assets in regulated international banks and finance companies were approximately $13.6 billion and $17.3 billion as of December 31, 2009 and 2008, respectively. In addition, the Bank Holding Company Act imposes restrictions on GMAC s ability to invest equity abroad without FRB approval. Many of our other operations are also heavily regulated in many jurisdictions outside the United States.

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U.S. Mortgage Business

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations, in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration lender, certain of our U.S. mortgage subsidiaries are required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. It is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts.

Insurance Companies

Our Insurance operations are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance law, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus, with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. In addition, the Bank Holding Company Act imposes restrictions on our ability to invest equity abroad without FRB approval.

Other Regulations

Some of the other more significant regulations that we are subject to include:

Privacy The GLB Act imposes additional obligations on us to safeguard the information we maintain on our customers and permits customers to opt-out of information sharing with third parties. Regulations have been enacted by several agencies that establish obligations to safeguard information. In addition, several states have enacted even more stringent privacy legislation. If a variety of inconsistent state privacy rules or requirements are enacted, our compliance costs could increase substantially.

Fair Credit Reporting Act The Fair Credit Reporting Act provides a national legal standard for lenders to share information with affiliates and certain third parties and to provide firm offers of credit to consumers. In late 2003, the Fair and Accurate Credit Transactions Act was enacted, making this preemption of conflicting state and local law permanent. The Fair Credit Reporting Act was also amended to place further restrictions on the use of information sharing between affiliates, to provide new disclosures to consumers when risk-based pricing is used in the credit decision, and to help protect consumers from identity theft. All of these new provisions impose additional regulatory and compliance costs on us and reduce the effectiveness of our marketing programs.

Sarbanes-Oxley The Sarbanes-Oxley Act of 2002 implements a broad range of corporate governance and accounting measures designed to promote honesty and transparency in corporate America. The principal provisions of the act include, among other things, (1) the creation of an independent accounting oversight board; (2) auditor independence provisions that restrict non-audit services that accountants may provide to their audit clients; (3) additional corporate governance and responsibility measures, including the requirement that the chief executive officer and chief financial officer certify financial statements; (4) the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer s securities by directors and senior officers in the twelve-month period following initial publication of any financial statements that later require restatement; (5) an increase in the oversight of and enhancement of certain requirements relating to audit committees and how they interact with the independent auditors; (6) requirements that audit committee members must be independent and are barred from accepting consulting, advisory, or other compensatory fees from the issuer; (7) requirements that companies disclose whether at least one member of the audit committee is a financial expert (as defined by the SEC) and, if not, why the audit committee does not have a financial expert; (8) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions, on non-preferential terms and in compliance with other bank regulatory requirements; (9) disclosure of a code of ethics; (10) requirements that management assess the effectiveness of internal control over financial reporting and that the Independent Registered Public Accounting firm attest to the assessment; and (11) a range of enhanced penalties for fraud and other violations.

USA PATRIOT/Anti-Money-Laundering Requirements In 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) was signed into law. Title III of the USA PATRIOT Act amends the Bank Secrecy Act and contains provisions designed to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities by, among other things, imposing additional compliance obligations on bank holding companies, banks, trust companies, and securities broker-dealers. Pursuant to these laws, it is the obligation of covered institutions to identify their clients, monitor for and report on suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and to share information with other financial institutions. To comply with applicable obligations, we have implemented necessary internal practices, procedures, and controls.

Other Our Global Automotive Finance and Mortgage operations have subsidiaries that are required to maintain regulatory capital requirements under agreements with Freddie Mac, Fannie Mae, Ginnie Mae, and the Department of Housing and Urban Development.

Employees

We had approximately 18,800 and 22,700 employees worldwide as of December 31, 2009 and 2008, respectively.

Additional Information

The results of operations for each of our reportable operating segments and the products and services offered are contained in the individual business operations sections of Management s Discussion and Analysis of Financial Condition and Results of Operations. Financial information related to reportable operating segments and geographic areas is provided in Note 29 to the Consolidated Financial Statements.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K (and amendments to these reports) are available on our internet website, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. These reports are available at www.gmacfs.com. Choose Investor Relations and then SEC Filings (under Quick Links). These reports can also be found on the SEC website at www.sec.gov.

Item 1A. Risk Factors

Our businesses face many risks and uncertainties, any of which could result in a material adverse effect on our results of operations or financial condition. We believe that the most significant of the risks and uncertainties that we face are described below. This Form 10-K is qualified in its entirety by these risk factors.

Risks Related to Being a Bank Holding Company

Our business, financial condition and results of operations could be adversely affected by regulations to which we are subject as a result of our bank holding company status.

On December 24, 2008, the FRB approved our application to become a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act). As a bank holding company, we are subject to the supervision and examination by the FRB, are required to file various reports with the FRB, must comply with regulatory risk-based and leverage capital requirements as well as various safety and soundness standards imposed by the FRB, and are subject to certain statutory restrictions concerning the types of assets or securities we may own and the activities in which we may engage. The FRB has the authority to issue orders to bank holding companies to cease and desist from unsafe or unsound banking practices and from violations of laws, rules, regulations, or conditions imposed in writing by the FRB. The FRB is also empowered to assess civil money penalties against institutions or individuals who violate any laws, regulations, orders, or written agreements with the FRB, to order termination of certain activities of bank holding companies, and to order termination of ownership and control of a banking or nonbanking subsidiary by a bank holding company. In addition, Ally Bank is subject to regulation and examination primarily by the FDIC and the Utah Department of Financial Institutions. This regulatory oversight is established to protect depositors, the federal Deposit Insurance Fund, and the banking system as a whole, not security holders. Many of these regulatory requirements are new for us and will require significant expense and

devotion of resources to fully implement processes that will be necessary to ensure compliance. The cost of compliance with such laws and regulations can be substantial and adversely affect our ability to operate profitably. Current economic conditions, particularly in the financial and real estate markets, have resulted in bank regulatory agencies placing increased focus and scrutiny on participants in the financial services industry, including us.

GMAC and Ally Bank are subject to ongoing supervision by the FRB and FDIC, respectively, through regular examinations and other means that allow the regulators to gauge management s ability to identify, assess, and control risk in all areas of operations in a safe and sound manner and to ensure compliance with laws and regulations. As part of GMAC s conversion to a bank holding company, GMAC and Ally Bank are currently implementing policies and procedures and taking other actions to improve their current processes and to seek to ensure adherence to applicable regulatory guidelines and standards including those concerning risk management and controls relating to credit, market, liquidity, operational and legal and compliance risks. The adoption and implementation of these policies, procedures, and other actions may cause us to devote significant time and resources of our management team, which may increase our costs, impede the efficiency of our internal business processes, and adversely affect our profitability in the near term.

If we are unable to implement these policies, procedures, and actions in a timely and effective manner and otherwise comply with the requirements outlined above, we could become subject to supervisory action which could subject us to significant restrictions on our existing business or on our ability to develop any new business. We could also be required to dispose of certain assets and liabilities within a prescribed period of time. The terms of any such supervisory action could have a material adverse effect on our business, operating flexibility, financial condition, and results of operations.

As a bank holding company, GMAC s activities are generally limited to banking or to managing or controlling banks or other companies engaged in activities deemed closely related to banking or otherwise permissible under the BHC Act. Likewise, GMAC generally may not hold more than 5% of any class of voting shares of any company unless that company s activities conform with the above requirements. As a recent bank holding company, however, we are permitted a two-year grace period to bring our activities and investments into conformity with these restrictions, and we may also apply to the FRB for three one-year extensions. This initial grace period expires in December 2010 (unless extended by the FRB), and absent an extension, certain of GMAC s existing activities and investments deemed impermissible under the Bank Holding Company Act must be terminated or disposed of within these timeframes. While some of these activities may be continued if GMAC were able to convert to a financial holding company under the BHC Act (including, without limitation, certain of GMAC s existing insurance activities), GMAC may be unable to satisfy the requirements to enable it to convert to a financial holding company prior to that time, and activities, businesses, or investments that would be permissible for a financial holding company will need to be terminated or disposed of. Likewise, the FRB may decline to grant any requested extension, and GMAC may be obligated to terminate or dispose of any impermissible activities, businesses, or investments more quickly than anticipated and/or under terms less advantageous to GMAC than expected. Either situation could have a material adverse effect on our business, results of operations, and financial position.

As a bank holding company, our ability to expand into new business activities may require us to obtain the prior approval of the relevant banking supervisors. There can be no assurance that any required approval will be obtained or that we will be able to execute on these plans in a timely manner or at all. If we are unable to obtain approval to expand into new business activities, particularly since we are a new bank holding company, our business, results of operations, and financial position may be adversely affected.

Our business, financial position, and results of operations could be adversely affected by the impact of affiliate transaction restrictions imposed in connection with certain GM-related financing transactions.

Certain transactions between Ally Bank and any of its nonbank affiliates are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, covered transactions (including extensions of credit) between Ally Bank and its nonbank affiliates (1) generally are limited to 10% of Ally Bank s capital stock and surplus with an aggregate limit of 20% of Ally Bank s capital stock and surplus for all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Ally Bank, may not involve the purchase of any asset deemed to be a low quality asset under federal banking guidelines; and (4) must be conducted in accordance with safe and sound banking practices (collectively, the Affiliate Transaction Restrictions). Furthermore, there is an attribution rule that provides that a transaction between Ally Bank and a third party will be treated as a transaction between Ally Bank and an affiliate to the extent that the proceeds of the transaction are used for the benefit of, or transferred to, an affiliate of Ally Bank.

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In approving GMAC s conversion to a bank holding company, the FRB determined that GM would be treated as if it were an affiliate of Ally Bank until GM s ownership of voting shares of and total equity in GMAC (inclusive of shares of GMAC common stock currently held in a separate trust) is reduced to less than 10%. As a result, GM is currently deemed to be an affiliate for purposes of the Affiliate Transaction Restrictions because of the level of GM s continued ownership in GMAC. Extensions of credit by Ally Bank that are deemed to benefit GM, including without limitation, dealer floor-planning arrangements to facilitate a dealer s purchase of GM vehicles and extensions of credit to consumers for the purchase of a GM vehicle, are therefore subject to the Affiliate Transaction Restrictions. The FRB is authorized to exempt, in its discretion, transactions or relationships from the requirements of these rules if it finds such exemptions to be in the public interest and consistent with the purposes of the rules and has granted two such exemptions to Ally Bank. However, requests for future exemptions may not be granted, and the existing exemptions are subject to various conditions. Such conditions include, among others, an overall cap on covered transactions entered into pursuant to the exemptions, as well as limitations on customers to whom credit may be extended and the terms of such credit extensions. These limited exemptions described above generally do not encompass consumer leasing and generally do not permit Ally Bank to provide any dealer floorplan financing for used GM vehicles. Until such time as either GM is no longer deemed an affiliate of Ally Bank or if GMAC is unable to obtain further exemptions or waivers with respect to these restrictions, the ability to grow Ally Bank s business will be affected by the Affiliate Transaction Restrictions and the conditions set forth in these exemption letters, which could have a material adverse effect on GMAC s business, results of operations, and financial position.

If we are unable to satisfy applicable regulatory capital requirements in the future, we could become subject to enforcement actions and/or FDIC receivership.

As a bank holding company, if we fail to satisfy regulatory capital requirements, we may be subject to serious regulatory sanctions ranging in severity from being precluded from making acquisitions or engaging in new activities to becoming subject to formal supervisory actions by the FRB and/or FDIC and, potentially, FDIC receivership of Ally Bank. If any of these were to occur, such actions could prevent us from successfully executing our business plan and have a material adverse effect on our business, results of operations, and financial position.

Risks Related to Our Business

Our business requires substantial capital, and disruption in our funding sources and access to the capital markets would have a material adverse effect on our liquidity and financial condition.

Our liquidity and the long-term viability of GMAC depend on many factors including our ability to successfully raise capital and secure appropriate bank financing. We have used the current exemption from the Affiliate Transaction Restrictions granted by the FRB in May 2009 to originate more bank-eligible assets through our banking subsidiary (Ally Bank), but as noted above, continued or expanded availability of this exemption depends upon the discretion of the FRB, and there can be no assurance that this exemption will be extended once we fully fund the amounts currently permitted. A condition contained in the exemption is that GMAC must maintain a total risk-based capital ratio of 15% and must also maintain a Tier 1 leverage ratio of 15% at Ally Bank. The latter will require that GMAC maintain substantial equity funds in Ally Bank and inject substantial additional equity funds into Ally Bank as Ally Bank s assets increase over time.

The FRB, the Treasury, and the FDIC have created a number of programs to help stabilize the markets and restore confidence and liquidity, some of which we have also used as funding sources. However, there can be no assurance that these programs will be continued or, if continued, that the programs will have a positive impact, and unrelated factors may destabilize the financial condition and liquidity profile of the companies that participate in these programs including GMAC.

As Ally Bank continues to be a key part of our funding strategy, we have increased our reliance on deposits, (which as of December 31, 2009, included $9.3 billion of brokered certificates of deposit that are more price sensitive than other types of deposits and may become less available if alternative investments offer higher interest rates) as an alternative source of funding through Ally Bank. Our ability to maintain our current level of deposits or grow our deposit base may be affected by perceptions of our financial strength, rates offered by third parties, and other competitive factors beyond our control. In addition, a bank s reliance on brokered deposits is subject to regulatory restrictions including the possible imposition of prior approval requirements or restrictions on deposit growth.

The FDIC has indicated that it expects GMAC to diversify Ally Bank s overall funding and to focus on reducing Ally Bank s overall funding costs including the interest rates paid on Ally Bank deposits. Any such actions could limit Ally Bank s ability to grow and maintain deposits, which could have a material adverse impact on the funding and capital position of GMAC.

We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding, it continues to remain a critical component of our capital structure and financing plans. As of December 31, 2009, approximately $7.5 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2010 and approximately $10.0 billion and $12.5 billion in principal amount of consolidated unsecured debt is scheduled to mature in 2011 and 2012, respectively, which includes $7.4 billion in principal amount of debt issued under the FDIC s Temporary Liquidity Guaranty Program that matures in 2012. We also obtain short-term funding from the sale of floating-rate demand notes, all of which the holders may elect to have redeemed by GMAC at any time without restriction. As of December 31, 2009, a total of $1.3 billion in principal amount of demand notes were outstanding. We also rely on secured funding. As of December 31, 2009, approximately $19.6 billion of outstanding consolidated secured debt is scheduled to mature in 2010, approximately $12.6 billion is scheduled to mature in 2011, and approximately $2.9 billion is scheduled to mature in 2012. Furthermore, as of December 31, 2009, approximately $17.3 billion in certificates of deposit at Ally Bank are scheduled to mature in 2010, which is not included in the 2010 unsecured maturities provided above. Additional financing will be required to fund a material portion of the debt maturities over this period. The capital markets continue to be volatile, and GMAC s access to the debt markets may be significantly reduced during periods of market stress. In addition, we will continue to have significant original issue discount amortization expenses related to the 2008 bond exchange ($308 million in the fourth quarter of 2009) in the near future, which will adversely affect our net income and resulting capital position.

As a result of the volatility in the markets and the reduction in our unsecured ratings, we have increased our reliance on various secured markets. Although market conditions have improved and government programs have increased the availability of credit, there can be no assurances that this will continue. In addition, we continue to rely on our ability to borrow from other financial institutions, and many of our primary bank facilities are up for renewal on a yearly basis. Any weakness in market conditions and a tightening of credit availability could have a negative effect on our ability to refinance these facilities and increase the costs of bank funding. We also continue to access the securitization markets at both GMAC and Ally Bank; while markets have begun to stabilize following the recent liquidity crisis, there can be no assurances these sources of liquidity will remain available to us.

Our indebtedness and other obligations are significant and could materially and adversely affect our business.

We have a significant amount of indebtedness. As of December 31, 2009, we had approximately $102.2 billion in principal amount of indebtedness outstanding (including $44.7 billion in secured indebtedness). Interest expense on our indebtedness constituted approximately 52% of our total financing revenues and other interest income for the year ended December 31, 2009. In addition, during the twelve months ending December 31, 2009, we declared and paid preferred stock dividends of $1.2 billion in the aggregate.

We have the ability to create additional unsecured indebtedness. If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, we may be required to dedicate a significant portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

Our mortgage subsidiary, ResCap, requires substantial liquidity and capital which could have an adverse effect on our own capital and liquidity position.

We have recently provided a significant amount of capital support and funding to ResCap, and ResCap remains heavily reliant on support from us to meet its liquidity and capital requirements including approximately $2.1 billion in principal amount of bonds scheduled to mature in 2010. Moreover, recent developments in the market for many types of mortgage products (including mortgage-backed securities) have resulted in reduced liquidity for these assets. As a result, a significant portion of ResCap s assets are relatively illiquid. Any negative events with respect to ResCap and a decision to provide additional support could serve as a further drain on our financial resources.

ResCap employs various economic hedging strategies to mitigate the interest rate and prepayment risk inherent in many of its assets including its mortgage loans held-for-sale portfolio, mortgage servicing rights, its portfolio of held-for-investment mortgage loans, and interests from securitizations. A significant portion of ResCap s operating cash at any given time consists of funds delivered to it as credit support by counterparties to these arrangements. Although ResCap pays such parties interest on such funds and believes there are no restrictions on its ability to utilize these funds, interest rate movements during 2009 required ResCap to return a significant amount of such funds. In the event that interest rates rise, ResCap could be required to promptly return all or a portion of the remaining funds that it holds and, if rates change dramatically, to deliver amounts in excess of such funds to such counterparties. If the amount ResCap must repay or deliver is substantial, depending on its liquidity position at that time, ResCap may not be able to pay such amounts as required.

We are exposed to credit risk, which could affect our profitability and financial condition.

We are subject to credit risk resulting from defaults in payment or performance by customers for our contracts and loans, as well as contracts and loans that are securitized and in which we retain a residual interest. For example, the continued decline in the domestic housing market and the increase in unemployment rates resulted in an increase in delinquency rates related to mortgage loans that ResCap and Ally Bank either hold or retain an interest in. Furthermore, a weak economic environment, high unemployment rates, and the continued deterioration of the housing market could exert pressure on our consumer automotive finance customers resulting in higher delinquencies, repossessions, and losses. There can be no assurances that our monitoring of our credit risk as it affects the value of these assets and our efforts to mitigate credit risk through our risk-based pricing, appropriate underwriting policies, and loss mitigation strategies are or will be sufficient to prevent a further adverse effect on our profitability and financial condition. As part of the underwriting process, we rely heavily upon information supplied by third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

General business and economic conditions may significantly and adversely affect our revenues, profitability, and financial condition.

Our business and earnings are sensitive to general business and economic conditions in the United States and in the markets in which we operate outside the United States. A downturn in economic conditions resulting in increased short- and long-term interest rates, inflation, fluctuations in the debt capital markets, unemployment rates, consumer and commercial bankruptcy filings, or a decline in the strength of national and local economies and other factors that negatively affect household incomes could decrease demand for our financing and mortgage products and increase mortgage and financing delinquency and losses on our customer and dealer financing operations. We have been negatively affected due to (1) the significant stress in the residential real estate and related capital markets in 2007, 2008, and 2009 and, in particular, the lack of home price appreciation in many markets in which we lend and (2) decreases in new and used vehicle purchases, which have reduced the demand for automotive retail and wholesale financing.

If the rate of inflation were to increase, or if the debt capital markets or the economies of the United States or our markets outside the United States were to continue in their current condition or further weaken, or if home prices or new and used vehicle purchases continue at the currently reduced levels or experience further declines, we could continue to be significantly adversely affected, and it could become more expensive for us to conduct our business. For example, business and economic conditions that negatively affect household incomes, housing prices, and consumer behavior related to our businesses could continue in their current condition or further decrease (1) the demand for our mortgage loans and new and used vehicle financing and (2) the value of the collateral underlying our portfolio of held-for-investment mortgages and new and used vehicle loans and interests that continue to be held by us, thus further increasing the number of consumers who become delinquent or default on their loans. In addition, the rate of delinquencies, foreclosures, and losses on our loans (especially our nonprime mortgage loans) as experienced recently could be higher during more severe economic slowdowns.

Any sustained period of increased delinquencies, foreclosures, or losses could further harm our ability to sell our mortgage and new and used vehicle loans, the prices we receive for our mortgage and new and used vehicle loans, or the value of our portfolio of mortgage and new and used vehicle loans held-for-investment or interests from our securitizations, which could harm our revenues, profitability, and financial condition. Continued adverse business and economic conditions could and, in the near term, likely will further affect demand for housing, new and used vehicles, the cost of construction, and other related factors that have harmed and could continue to harm the revenues and profitability of our business.

In addition, our business and earnings are significantly affected by the fiscal and monetary policies of the U.S. government and its agencies and similar governmental authorities in the markets in which we operate outside the United States. We are particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States. The FRB s policies influence the new and used vehicle financing market and the size of the mortgage origination market, which significantly affects the earnings of our businesses and the earnings of our business capital activities. The FRB s policies also influence the yield on our interest-earning assets and the cost of our interest bearing liabilities. Changes in those policies are beyond our control and difficult to predict and could adversely affect our revenues, profitability, and financial condition.

The Treasury holds a majority of the outstanding GMAC Common Stock.

As of December 30, 2009, the Treasury held 450,121 shares of Common Stock which represented, pursuant to GMAC s certificate of incorporation and bylaws, approximately 56.3% of the voting power of the holders of Common Stock outstanding as of such date for most matters requiring a vote of the holders of Common Stock. In addition, as of the date hereof, the Treasury holds 228,750,000 shares of Series F-2 Preferred Stock (which are convertible into an additional 988,200 shares of Common Stock if converted as of the date hereof), with an aggregate liquidation preference of approximately $11.4 billion. Pursuant to the Amended and Restated Governance Agreement dated May 21, 2009 (see Exhibit 10.2 to GMAC s Form 8-K filed with the SEC on May 22, 2009), as of the date hereof, the Treasury also has the right to appoint four of the nine members to the GMAC Board of Directors. The Governance Agreement further provides that upon the acquisition of additional shares of Common Stock (either through the further conversion of shares of Series F-2 Preferred Stock to Common Stock or otherwise), the Treasury may be entitled to appoint additional members to the GMAC Board of Directors.

Generally, matters to be voted on by the stockholders must be approved by either (1) a majority of the voting power present in person or by proxy and entitled to vote or (2) in the case of certain specified actions, the vote of the holders of a majority of the outstanding shares of Common Stock including at least two such holders, in each case subject to state law and any voting rights granted to any of the holders of GMAC s preferred stock.

As a result of its ownership of Common Stock (including any shares of Common Stock that it may acquire in the future pursuant to the conversion of shares of the Series F-2 Preferred Stock or otherwise), and its right to appoint four directors to the GMAC Board of Directors (and the possibility that it may have the right to appoint additional directors in the future upon conversion of additional shares of Series F-2 Preferred Stock or additional acquisitions of Common Stock), the Treasury may be able, subject to the terms of GMAC s certificate of incorporation and bylaws, to significantly influence GMAC s business and strategy. GMAC cannot assure you that the Treasury will not seek to influence GMAC s business in a manner that is contrary to GMAC s goals or strategies or the interests of other stakeholders. In addition, persons who are appointed directors of GMAC by the Treasury may decline to take action in a manner that might be favorable to GMAC but adverse to the Treasury.

The limitations on compensation imposed on us due to our participation in TARP, including the restrictions placed on our compensation by the Special Master for TARP Executive Compensation, may adversely affect our ability to retain and motivate our executives and employees.

Our performance is dependent on the talent and efforts of our management team and employees. As a result of our participation in TARP, the compensation of certain members of our management team and employees is subject to extensive restrictions under the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009 (ARRA), which was signed into law on February 17, 2009, as implemented by the Interim Final Rule issued by the Department of the Treasury on June 15, 2009 (the IFR). In addition, due to our level of participation in TARP, pursuant to ARRA and the IFR, the Office of the Special Master for TARP Executive Compensation has the authority to further regulate our compensation arrangements with certain of our executives and employees. In addition, we may become subject to further restrictions under any other future legislation or regulation limiting executive compensation. Many of the restrictions are not limited to our senior executives and affect other employees whose contributions to revenue and performance may be significant. These limitations may leave us unable to create a compensation structure that permits us to retain and motivate certain of our executives and employees, especially if we are competing against institutions that are not subject to the same restrictions. Any such inability could have a material and adverse effect on our business, financial condition, and results of operations.

Our borrowing costs and access to the unsecured debt capital markets depend significantly on our credit ratings.

The cost and availability of unsecured financing are materially affected by our short- and long-term credit ratings. Each of Standard & Poor s Rating Services; Moody s Investors Service, Inc.; Fitch, Inc.; and Dominion Bond Rating Service rates our debt. Our ratings by each rating agency are substantially below investment grade, which negatively impacts our access to liquidity and increases our borrowing costs in the unsecured market. Ratings reflect the rating agencies opinions of our financial strength, operating performance, strategic position, and ability to meet our obligations. Future downgrades of our credit ratings would increase borrowing costs and further constrain our access to the unsecured debt markets and, as a result, would negatively affect our business. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any new or replacement financing arrangements, as well as impact elements of certain existing secured borrowing arrangements.

Agency ratings are not a recommendation to buy, sell, or hold any security and may be revised or withdrawn at any time by the issuing organization. Each agency s rating should be evaluated independently of any other agency s rating.

The profitability and financial condition of our operations are heavily dependent upon the performance, operations, and prospects of GM and Chrysler, each of which have recently emerged from bankruptcy protection.

On July 10, 2009, GM completed the acquisition of substantially all of the assets of Motors Liquidation Company (formerly known as General Motors Corporation) and certain of its direct and indirect subsidiaries. In connection with the sale, all material contracts between GMAC and General Motors Corporation were assumed by Motors Liquidity Company and assigned to General Motors LLC. GM, GM dealers, and GM-related employees comprise a significant portion of our customer base, and our Global Automotive Finance operations are highly dependent on GM production and sales volume. Furthermore, the Company recently expanded its financing footprint to Chrysler dealers and customers. We have entered into an agreement with Chrysler to provide automotive financing products and services to Chrysler dealers and customers pursuant to which we will be the preferred provider of new wholesale financing for Chrysler dealer inventory. Chrysler has also recently emerged from bankruptcy protection.

A significant adverse change in GM s or Chrysler s business, including significant adverse changes in their respective liquidity position and access to the capital markets, the production or sale of GM or Chrysler vehicles, the quality or resale value of GM or Chrysler vehicles, the use of GM or Chrysler marketing incentives, GM s or Chrysler s relationships with its key suppliers, or GM s or Chrysler s relationship with the United Auto Workers and other labor unions and other factors impacting GM or Chrysler or their respective employees could have a material adverse effect on our profitability and financial condition.

During 2008 and 2009, global vehicle sales declined rapidly, and there is no assurance that the global automotive market or GM s and Chrysler s respective share of that market will not suffer a significant further downturn. Certain U.S. government programs to support vehicle sales were introduced during 2009, but such programs have terminated, and there can be no assurances that similar programs will be implemented in the future, or that any such programs will be successful if implemented. Vehicle sales volume could be further adversely affected by any additional restructuring activities that GM may decide to pursue, if any. Furthermore, as noted above, both General Motors Corporation and Chrysler filed for bankruptcy in 2009 and have subsequently emerged from such proceedings. It is difficult to predict with certainty the consequences of these bankruptcy filings and the impact it could have on consumer sentiment and GM s and Chrysler s businesses. Any negative impact could in turn have a material adverse affect on our business, results of operations, and financial position.

Our profitability and financial condition have been materially and adversely affected by declines in the residual value of off-lease vehicles, and the residual value of off-lease vehicles may decrease in the future.

Our expectation of the residual value of a vehicle subject to an automotive lease contract is a critical element used to determine the amount of the lease payments under the contract at the time the customer enters into it. As a result, to the extent the actual residual value of the vehicle, as reflected in the sales proceeds received upon remarketing at lease termination, is less than the expected residual value for the vehicle at lease inception, we incur additional depreciation expense and/or a loss on the lease transaction. General economic conditions, the supply of off-lease vehicles, and new vehicle market prices heavily influence used vehicle prices and thus the actual residual value of off-lease vehicles. Also contributing to the weakness in the used vehicle market are the historically low consumer confidence levels, which influence major purchases, and the weakening financial condition of auto dealers. During 2008, sharp declines in demand and used vehicle sale prices adversely affected

GMAC s remarketing proceeds for these vehicles, and resulted in impairments totaling $1.2 billion for the year ended December 31, 2008. Weak residual values also contributed to total loss provisions of $624 million for the year ended December 31, 2008, on our balloon finance contract portfolio.

These trends may continue or worsen. GM s brand image, consumer preference for GM products, and GM s marketing programs that influence the new and used vehicle market for GM vehicles also influence lease residual values. In the event we determined to increase lease originations related to Chrysler or any other vehicle manufacturer, these same factors would similarly impact related lease residual values. In addition, our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and proceeds realized from the vehicle sales. While GM, at times, may provide support for lease residual values including through residual support programs, this support by GM does not in all cases entitle us to full reimbursement for the difference between the remarketing sales proceeds for off-lease vehicles and the residual value specified in the lease contract. Differences between the actual residual values realized on leased vehicles and our expectations of such values at contract inception could continue to have a negative impact on our profitability and financial condition.

The protracted period of adverse developments in the mortgage finance and credit markets has adversely affected ResCap s business, liquidity, and its capital position and has raised substantial doubt about ResCap s ability to continue as a going concern.

ResCap has been adversely affected by the events and conditions in the broader mortgage banking industry, most severely but not limited to the domestic nonprime and nonconforming and international mortgage loan markets. Fair market valuations of held-for-sale mortgage loans, mortgage servicing rights, and securitized interests that continue to be held by ResCap and other assets and liabilities ResCap records at fair value have significantly deteriorated due to continuing weakness in housing prices, increasing mortgage rates, and the severity of delinquencies and defaults of mortgage loans. These deteriorating factors have also resulted in higher provision for loan losses on ResCap s held-for-investment mortgage loans and real estate-lending portfolios. As a direct result of these events and conditions, ResCap has discontinued new originations in all of its international operations and currently generally only purchases or originates mortgage loans that can be sold to one of the U.S. government-sponsored entities (GSEs). If the GSEs became unable or unwilling to purchase mortgage loans from ResCap, it would have a materially adverse impact on ResCap s funding and liquidity.

ResCap is highly leveraged relative to its cash flow and has continued to recognize substantial losses resulting in significant deterioration in capital. There continues to be a risk that ResCap will not be able to meet its debt service obligations, will default on its financial debt covenants due to insufficient capital or liquidity, and/or be in a negative liquidity position in 2010 or beyond. ResCap remains heavily dependent on GMAC for funding and capital support, and there can be no assurance that GMAC will continue to provide such support.

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 continue as a going concern. If GMAC determines to no longer support ResCap s capital or liquidity needs or if ResCap or GMAC are unable to successfully execute effective initiatives, it could have a material adverse effect on ResCap s business, results of operations, and financial position.

There is a significant risk that ResCap will not be able to meet its debt service obligations and other funding obligations in the near term.

ResCap expects its liquidity pressures to continue in 2010. ResCap is highly leveraged relative to its cash flow. As of December 31, 2009, ResCap s unrestricted liquidity (cash readily available to cover operating demands from across its business operations) totaled $354 million with cash and cash equivalents totaling $765 million.

ResCap expects that additional and continuing liquidity pressure, which is difficult to forecast with precision, will result from the obligation of its subsidiaries to advance delinquent principal, interest, property taxes, casualty insurance premiums, and certain other amounts with respect to mortgage loans ResCap services that become delinquent. In addition, ResCap continues to be subject to financial covenants requiring it to maintain minimum consolidated tangible net worth and consolidated liquidity balances. ResCap will attempt to meet these and other liquidity and capital demands through a combination of cash flow from operations and financings, potential asset sales, and other various alternatives. To the extent these sources prove insufficient, ResCap will be dependent on continued support from GMAC to the extent GMAC agrees to provide such support. The sufficiency of these sources of additional liquidity cannot be assured, and any asset sales, even if they raise sufficient cash to meet ResCap s liquidity needs, may adversely affect its overall profitability and financial condition.

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Moreover, even if ResCap is successful in implementing all of the actions described above, its ability to satisfy its liquidity needs and comply with any covenants included in its debt agreements requiring maintenance of minimum cash balances may be affected by additional factors and events (such as interest rate fluctuations and margin calls) that increase ResCap s cash needs making ResCap unable to independently satisfy its near-term liquidity requirements.

We have extensive financing and hedging arrangements with ResCap, which could be at risk of nonpayment if ResCap were to file for bankruptcy.

We have secured financing arrangements and secured hedging agreements in place with ResCap. Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap s repayments of its financing facilities, including those with us, will be subject to bankruptcy proceedings and regulations, or ResCap may be unable to repay its financing facilities. In addition, we could be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap s obligations to us. In addition, it is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. We may also find it advantageous to provide debtor-in-possession financing to ResCap in a bankruptcy proceeding in order to preserve the value of the collateral ResCap has pledged to us. In addition, should ResCap file for bankruptcy, our investment related to ResCap s equity position would likely be reduced to zero.

Current conditions in the residential mortgage market and housing markets may continue to adversely affect GMAC s mortgage business.

The residential mortgage market in the United States, Europe, and other international markets in which ResCap conducts business has experienced a variety of difficulties and changed economic conditions that adversely affected ResCap s results of operations and financial condition in 2007, 2008, and 2009. Delinquencies and losses with respect to ResCap s nonprime mortgage loans increased significantly and may continue to increase. Housing prices in many parts of the United States, the United Kingdom and other international markets have also declined or stopped appreciating after extended periods of significant appreciation. In addition, the liquidity provided to the mortgage sector has recently been significantly reduced. This liquidity reduction combined with ResCap s decision to reduce its exposure to the nonprime mortgage market caused its nonprime mortgage production to decline, and such declines are expected to continue. Similar trends have emerged beyond the nonprime sector, especially at the lower end of the prime credit quality scale, and have had a similar effect on ResCap s related liquidity needs and businesses in the United States, Europe, and other international markets. These trends have resulted in significant write-downs to ResCap s held-for-sale mortgage loans and trading securities portfolios and additions to its allowance for loan losses for its held-for-investment mortgage loans and warehouse-lending receivables portfolios. A continuation of these conditions, which we anticipate in the near term, may continue to adversely affect ResCap s financial condition and results of operations.

Moreover, the continued deterioration of the U.S. housing market and decline in home prices in 2007, 2008, and 2009 in many U.S. and international markets, which we anticipate will continue for the near term, are likely to result in increased delinquencies or defaults on the mortgage assets ResCap owns and services, as well as those mortgage assets owned by Ally Bank. Further, loans that ResCap made based on limited credit or income documentation also increase the likelihood of future increases in delinquencies or defaults on mortgage loans. An increase in delinquencies or defaults will result in a higher level of credit losses and credit-related expenses and increased liquidity requirements to fund servicing advances, all of which in turn will reduce revenues and profits of GMAC s mortgage business. Higher credit losses and credit-related expenses also could adversely affect our financial condition.

Our lending volume is generally related to the rate of growth in U.S. residential mortgage debt outstanding and the size of the U.S. residential mortgage market. Recently, the rate of growth in total U.S. residential mortgage debt outstanding has slowed sharply in response to the reduced activity in the housing market and national declines in home prices. A decline in the rate of growth in mortgage debt outstanding reduces the number of mortgage loans available for us to purchase or securitize, which in turn could lead to a reduction in our revenue, profits, and business prospects.

Our earnings may decrease because of increases or decreases in interest rates.

Changes in interest rates could have an adverse impact on our business. For example:

rising interest rates will increase our cost of funds;

- rising interest rates may reduce our consumer automotive financing volume by influencing customers to pay cash for, as opposed to financing, vehicle purchases or not buying new vehicles;

- rising interest rates may negatively impact our ability to remarket off-lease vehicles;

- rising interest rates generally reduce our residential mortgage loan production as borrowers become less likely to refinance and the costs associated with acquiring a new home become more expensive; and

- rising interest rates will generally reduce the value of mortgage and automotive financing loans and contracts and retained interests and fixed income securities held in our investment portfolio.

We are also subject to risks from decreasing interest rates. For example, a significant decrease in interest rates could increase the rate at which mortgages are prepaid, which could require us to write down the value of our retained interests and mortgage servicing rights. Moreover, if prepayments are greater than expected, the cash we receive over the life of our held-for-investment mortgage loans and our retained interests would be reduced. Higher-than-expected prepayments could also reduce the value of our mortgage servicing rights and, to the extent the borrower does not refinance with us, the size of our servicing portfolio. Therefore, any such changes in interest rates could harm our revenues, profitability, and financial condition.

Our hedging strategies may not be successful in mitigating our risks associated with changes in interest rates and could affect our profitability and financial condition as could our failure to comply with hedge accounting principles and interpretations.

We employ various economic hedging strategies to mitigate the interest rate and prepayment risk inherent in many of our assets and liabilities. Our hedging strategies rely on assumptions and projections regarding our assets, liabilities, and general market factors. If these assumptions and projections prove to be incorrect or our hedges do not adequately mitigate the impact of changes in interest rates or prepayment speeds, we may experience volatility in our earnings that could adversely affect our profitability and financial condition.

In addition, hedge accounting in accordance with U.S. generally accepted accounting principles requires the application of significant subjective judgments to a body of accounting concepts that is complex and for which the interpretations have continued to evolve within the accounting profession and among the standard-setting bodies.

A failure of or interruption in the communications and information systems on which we rely to conduct our business could adversely affect our revenues and profitability.

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption of our information systems or the third-party information systems on which we rely could cause underwriting or other delays and could result in fewer applications being received, slower processing of applications, and reduced efficiency in servicing. The occurrence of any of these events could have a material adverse effect on our business.

We use estimates and assumptions in determining the fair value of certain of our assets, in determining our allowance for loan losses, in determining lease residual values, and in determining our reserves for insurance losses and loss adjustment expenses. If our estimates or assumptions prove to be incorrect, our cash flow, profitability, financial condition, and business prospects could be materially and adversely affected.

We use estimates and various assumptions in determining the fair value of many of our assets, including certain held-for-investment loans for which we elected fair value accounting, retained interests from securitizations of loans and contracts, mortgage servicing rights, and other investments, which do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining our allowance for loan losses on our loan and retail contract portfolios, in determining the residual values of leased vehicles, and in determining our reserves for insurance losses and loss adjustment expenses. It is difficult to determine the accuracy of our estimates and assumptions, and our actual experience may differ materially from these estimates and assumptions. As an example, the continued decline of the domestic housing market, especially (but not exclusively) with regard to the nonprime sector, has resulted in increases of the allowance for loan losses at ResCap. A material difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and business prospects.

Our business outside the United States exposes us to additional risks that may cause our revenues and profitability to decline.

We conduct a significant portion of our business outside the United States exposing us to risks such as the following:

- multiple foreign regulatory requirements that are subject to change;
- differing local product preferences and product requirements;
- fluctuations in foreign currency exchange rates and interest rates;
- difficulty in establishing, staffing, and managing foreign operations;
- differing labor regulations;
- consequences from changes in tax laws; and
- political and economic instability, natural calamities, war and terrorism.

The effects of these risks may, individually or in the aggregate, affect our revenues and profitability.

Our business could be adversely affected by changes in currency exchange rates.

We are exposed to risks related to the effects of changes in foreign currency exchange rates. Changes in currency exchange rates can have a significant impact on our earnings from international operations as a result of foreign currency translation adjustments. While we carefully watch and attempt to manage our exposure to fluctuation in currency exchange rates, these types of changes can have material adverse effects on our business, results of operations, and financial condition.

Fluctuations in valuation of investment securities or significant fluctuations in investment market prices could negatively affect revenues.

Investment market prices in general are subject to fluctuation. Consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value that could negatively affect our revenues. Additionally, fluctuations in the value of investment securities available-for-sale could result in unrealized losses recorded in equity. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments, national and international events, and general market conditions.

We may be required to repurchase loans or retail contracts and provide indemnification if we breach representations and warranties from our securitization and whole-loan transactions, which could harm our profitability and financial condition.

When we sell retail contracts or leases through whole-loan sales or securitize retail contracts, leases, or wholesale loans to dealers, we are required to make representations and warranties about the contracts, leases, or loans to the purchaser or securitization trust. Our whole-loan sale agreements generally require us to repurchase retail contracts or provide indemnification if we breach a representation or warranty given to the purchaser. Likewise, we are required to repurchase retail contracts, leases, or loans and may be required to provide indemnification if we breach a representation or warranty in connection with our securitizations. Similarly, sales of mortgage loans through whole-loan sales or securitizations require us to make representations and warranties about the mortgage loans to the purchaser or securitization trust. Our whole-loan sale agreements generally require us to repurchase or substitute loans if we breach a representation or warranty given to the purchaser. In addition, we may be required to repurchase mortgage loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its origination. Likewise, we are required to repurchase or substitute mortgage loans if we breach a representation or warranty in connection with our securitizations. Our mortgage repurchase reserve expense for 2009 was $1.5 billion. The remedies available to a purchaser of mortgage loans may be broader than those available to us against the original seller of the mortgage loan. Also, originating brokers and correspondent lenders often lack sufficient capital to repurchase more than a limited number of such loans, and numerous brokers and correspondents are no longer in business. If a purchaser enforces its remedies against us, we may not be able to enforce the remedies we have against the seller of the mortgage loan to us or the borrower.

Like others in the mortgage industry, ResCap has experienced a material increase in repurchase requests. Significant repurchase activity could continue to harm our profitability and financial condition.

Significant indemnification payments or contract, lease, or loan repurchase activity of retail contracts or leases or mortgage loans could harm our profitability and financial condition.

We have repurchase obligations in our capacity as servicer in securitizations and whole-loan sales. If a servicer breaches a representation, warranty, or servicing covenant with respect to an automotive receivable or mortgage loan, the servicer may be required by the servicing provisions to repurchase that asset from the purchaser or otherwise compensate one or more classes of investors for losses caused by the breach. If the frequency at which repurchases of assets or other payments occurs increases substantially from its present rate, the result could be a material adverse effect on our financial condition, liquidity, and results of operations.

In connection with its servicing of securitized mortgage loans, ResCap is subject to contractual caps on the percentage of mortgage loans it is permitted to modify in any securitized pool. The financial crisis has resulted in dramatic increases in the volume of delinquent mortgage loans in 2009. In an effort to achieve the best net present value recovery for the securitization trust, ResCap increased the volume of modifications of distressed mortgage loans to assist homeowners and avoid liquidating properties in a collapsing and opaque housing market. In certain securitization transactions, ResCap has exceeded the applicable contractual modification cap. The securitization documents provide that the contractual caps can be raised or eliminated with the concurrence of each rating agency rating the transaction. For certain transactions with respect to which loan modifications have exceeded the contractual caps, the rating agencies have concurred in raising or eliminating the caps, but they have not consented in connection with other such transactions. ResCap will continue to seek their concurrence in connection with other transactions as it deems appropriate, and will suspend modifications in excess of applicable caps pending receipt of such consent or investor approval to amend the servicing contracts. An investor in a specific mortgage security class might claim that modifications in excess of the applicable cap amounted to a material failure of ResCap to perform its servicing obligations and that the investor was damaged as a result. Such claims, if successful, could have a material adverse effect on our financial condition, liquidity, and results of operations.

A loss of contractual servicing rights could have a material adverse effect on our financial condition, liquidity, and results of operations.

We are the servicer for all of the receivables we have originated and transferred to other parties in securitizations and whole-loan sales of automotive receivables. Our mortgage subsidiaries service the mortgage loans we have securitized, and we service the majority of the mortgage loans we have sold in whole-loan sales. In each case, we are paid a fee for our services, which fees in the aggregate constitute a substantial revenue stream for us. In each case, we are subject to the risk of termination under the circumstances specified in the applicable servicing provisions.

In most securitizations and whole-loan sales, the owner of the receivables or mortgage loans will be entitled to declare a servicer default and terminate the servicer upon the occurrence of specified events. These events typically include a bankruptcy of the servicer, a material failure by the servicer to perform its obligations, and a failure by the servicer to turn over funds on the required basis. The termination of these servicing rights, were it to occur, could have a material adverse effect on our financial condition, liquidity, and results of operations and those of our mortgage subsidiaries.

The regulatory environment in which we operate could have a material adverse effect on our business and earnings.

Our domestic operations are subject to various laws and judicial and administrative decisions imposing various requirements and restrictions relating to supervision and regulation by state and federal authorities. Such regulation and supervision are primarily for the benefit and protection of our customers, not for the benefit of investors in our securities, and could limit our discretion in operating our business. Noncompliance with applicable statutes or regulations could result in the suspension or revocation of any license or registration at issue as well as the imposition of civil fines and criminal penalties.

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GMAC, Ally Bank, and many of our nonbank subsidiaries are heavily regulated by bank and other regulatory agencies at the federal, state, and foreign levels. This regulatory oversight is established to protect depositors, the federal Deposit Insurance Fund, and the banking system as a whole, not security holders. Changes to statutes, regulations, or regulatory policies including interpretation or implementation of statutes, regulations, or policies could affect us in substantial and unpredictable ways including limiting the types of financial services and products we may offer and increasing the ability of nonaffiliates to offer competing financial services and products.

Our operations are also heavily regulated in many jurisdictions outside the United States. For example, certain of our foreign subsidiaries operate either as a bank or a regulated finance company, and our insurance operations are subject to various requirements in the foreign markets in which we operate. The varying requirements of these jurisdictions may be inconsistent with U.S. rules and may materially adversely affect our business or limit necessary regulatory approvals, or if approvals are obtained, we may not be able to continue to comply with the terms of the approvals or applicable regulations. In addition, in many countries the regulations applicable to the financial services industry are uncertain and evolving, and it may be difficult for us to determine the exact regulatory requirements.

In light of current conditions in the U.S. financial markets and economy, regulators have increased their focus on the regulation of the financial services industry. For instance, in October 2008, Congress passed the Emergency Economic Stabilization Act of 2008, which in turn created the TARP and the Capital Purchase Program. We are unable to predict how these and any future programs will be administered or implemented in the future, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our business, financial condition, and results of operations. We are also affected by the policies adopted by regulatory authorities and bodies of the United States and other governments. For example, the actions of the FRB and international central banking authorities directly impact our cost of funds for lending, capital raising, and investment activities and may impact the value of financial instruments we hold. In addition, such changes in monetary policy may affect the credit quality of our customers. Changes in domestic and international monetary policy are beyond our control and difficult to predict.

Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market with regard to the affected product and on our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted, or that we will not be prohibited by local laws from raising interest rates above certain desired levels, any of which could materially adversely affect our business, financial condition, or results of operations.

Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our reported revenues, profitability, and financial condition.

Our financial statements are subject to the application of U.S. generally accepted accounting principles, which are periodically revised and/or expanded. The application of accounting principles is also subject to varying interpretations over time. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by recognized authoritative bodies, including the Financial Accounting Standards Board and the SEC. Those changes could adversely affect our reported revenues, profitability, or financial condition.

The worldwide financial services industry is highly competitive. If we are unable to compete successfully or if there is increased competition in the automotive financing, mortgage, and/or insurance markets or generally in the markets for securitizations or asset sales, our margins could be materially and adversely affected.

The markets for automotive and mortgage financing, banking, insurance, and reinsurance are highly competitive. The market for automotive financing has grown more competitive as more consumers are financing their vehicle purchases, primarily in North America and Europe. Our mortgage business and Ally Bank face significant competition from commercial banks, savings institutions, mortgage companies, and other financial institutions. Our insurance business faces significant competition from insurance carriers, reinsurers, third-party administrators, brokers, and other insurance-related companies. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, lower cost of capital, and are less reliant on securitization and sale activities. We face significant competition in various areas including product offerings, rates, pricing and fees, and customer service. This

competition may increase as we have recently increased pricing on certain lending activities. If we are unable to compete effectively in the markets in which we operate, our profitability and financial condition could be negatively affected.

GMAC s agreements with GM and Chrysler to provide automotive financing products to their dealers and customers extend until December and April 2013, respectively. These agreements provide GMAC with certain preferred provider benefits including limiting the use of other financing providers by GM and Chrysler in their incentive programs. The terms of the GMAC agreement with GM change after December 29, 2010, such that GM will be able to offer any incentive programs on a graduated basis through third parties on a non-exclusive, side-by-side basis with GMAC, provided that the pricing of the third parties meets certain requirements. Due to the highly competitive nature of the market for financial services, GMAC may be unable to extend one or both of these agreements or may face less favorable terms upon extension. If GMAC is unable to extend one or both of these agreements, its retail and wholesale financing volumes could be negatively impacted.

The markets for asset and mortgage securitizations and whole-loan sales are competitive, and other issuers and originators could increase the amount of their issuances and sales. In addition, lenders and other investors within those markets often establish limits on their credit exposure to particular issuers, originators, and asset classes, or they may require higher returns to increase the amount of their exposure. Increased issuance by other participants in the market or decisions by investors to limit their credit exposure to (or to require a higher yield for) us or to automotive or mortgage securitizations or whole loans, could negatively affect our ability and that of our subsidiaries to price our securitizations and whole-loan sales at attractive rates. The result would be lower proceeds from these activities and lower profits for our subsidiaries and us.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal corporate offices are located in Detroit, Michigan; New York, New York; and Charlotte, North Carolina. In Detroit, we lease approximately 247,000 square feet from GM pursuant to a lease agreement expiring in November 2016. In New York, we lease approximately 24,000 square feet of office space under a lease that expires in July 2015 and approximately 18,000 square feet of office space under a lease that expires in July 2011. In Charlotte, we lease approximately 34,000 square feet of office space under a lease expiring in December 2010 and are in the process of transferring to a new facility with approximately 133,000 square feet of lease space under a lease that expires in December 2015.

The primary offices for our Global Automotive Services operations are located in Detroit, Michigan, and Southfield, Michigan. The primary office for our North American Automotive Finance operations is located in Detroit, Michigan, and is included in the totals referenced above. Our International Automotive Finance operations include leased space in approximately 30 countries totaling approximately 668,000 square feet. The largest countries include the United Kingdom and Germany with office space under lease of approximately 147,000 square feet and 115,000 square feet, respectively. The primary office for our U.S. Insurance operations is located in Southfield, Michigan, where we lease approximately 91,000 square feet of office space under leases expiring in April 2011. Our Insurance operations also has leased offices in Mexico and the United Kingdom.

The primary offices for our Mortgage operations are located in Fort Washington, Pennsylvania, and Minneapolis, Minnesota. In Fort Washington, we lease approximately 450,000 square feet of office space pursuant to a lease that expires in November 2019. In Minneapolis, we lease approximately 250,000 square feet of office space expiring in March 2013. Our Mortgage operations also has significant leased offices in Texas and California.

In addition to the properties described above, we lease additional space throughout the United States and in the 40 countries in which we operate, including Canada, Germany, and the United Kingdom. We believe our facilities are adequate for us to conduct our present business activities.

Item 3. Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise have been asserted against us.

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We are named as defendants in a number of legal actions, and we are occasionally involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions. We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims. On the basis of information currently available, advice of counsel, available insurance coverage, and established reserves, it is the opinion of management that the eventual outcome of the actions against us will not have a material adverse effect on our consolidated financial condition, results of operations, or cash flows. However, in the event of unexpected future developments, it is possible that the ultimate resolution of legal matters, if unfavorable, may be material to our consolidated financial condition, results of operations, or cash flows. Furthermore, any claim or legal action against GM that results in GM incurring significant liability could also have an adverse effect on our consolidated financial condition, results of operations, or cash flows.

Item 4.   Submission of Matters to a Vote of Security Holders

Effective December 30, 2009, holders of GMAC common stock representing a majority of outstanding shares approved by written consent the following matters:

Amendments to GMAC s certificate of incorporation and bylaws in order to (1) modify certain provisions relating to the preemptive rights of holders of common stock and convertible preferred stock, (2) de-authorize the Series D-1 Preferred Stock, Series D-2 Preferred Stock and Series F Preferred Stock, each previously issued by GMAC, (3) create a new series of convertible preferred stock, designated as the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2, (the Series F-2 Preferred Stock) and authorization of 228,750,000 shares of Series F-2 Preferred Stock, and (4) to make certain other amendments;

The conversion of 60,000,000 shares of Series F Preferred Stock that was previously issued by GMAC and held by the U.S. Department of the Treasury (the Treasury) into 259,200 shares of GMAC common stock, in accordance with the terms of such Series F Preferred Stock (the Conversion);

The issuance by GMAC to the Treasury of 227,500,000 shares of Series F-2 Preferred Stock of GMAC, plus a warrant to purchase 1,250,000 additional shares of Series F-2 Preferred Stock (such warrants were immediately exercised) in exchange for (1) all of the Series D-1 Preferred Stock and Series D-2 Preferred Stock previously held by the Treasury, (2) all shares of Series F Preferred Stock held by the Treasury following the Conversion, and (3) $1.25 billion in cash; and

The issuance by GMAC Capital Trust I to the Treasury of $2.54 billion in aggregate liquidation amount of trust preferred securities, plus a warrant to acquire $127 million in additional aggregate liquidation amount of trust preferred securities of GMAC Capital Trust I (such warrants were immediately exercised).

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Part II

GMAC Inc.   Form 10-K

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

We currently have a total of 2,021,384 shares of common stock authorized for issuance, and as of February 25, 2010, a total of 799,120 shares of common stock were issued and outstanding. Our common stock is not registered with the Securities and Exchange Commission, and there is no established trading market for the shares. As of February 25, 2010, there were 113 holders of common stock reflected on the stock register of the company.

Subject to certain exceptions, for so long as any shares of New MCP (as defined below, under Preferred Stock) are outstanding and owned by the U.S. Department of the Treasury (the Treasury), GMAC and its subsidiaries are generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing or acquiring, any common stock without consent of the Treasury. Furthermore, GMAC is generally prohibited from making any dividends or distributions on, or redeeming, repurchasing, or acquiring, its common stock unless all accrued and unpaid dividends for all past dividend periods on the New MCP are fully paid.

Pursuant to certain agreements, our shareholders were permitted to receive distributions to pay taxes they incurred as a result of their ownership of GMAC common equity prior to our conversion from a tax partnership to a corporation on June 30, 2009. In March 2009, we executed a transaction that had 2008 tax-reporting implications for our shareholders. In accordance with applicable agreements, the approvals of both the GMAC Board of Directors and the Treasury were obtained in advance for the payment of tax distributions to our shareholders. Amounts distributed to shareholders during 2009 with respect to these tax matters totaled approximately $393 million. For the year ended December 31, 2008, there were approximately $79 million of distributions on our common equity, which primarily represented remittances to General Motors for tax settlements and refunds received related to tax periods prior to the November 2006 transactions where General Motors sold a 51% interest in GMAC to FIM Holdings LLC.

Preferred Stock

Series F-2 Preferred Stock

On December 30, 2009, GMAC entered into a Securities Purchase and Exchange Agreement (the Purchase Agreement) with the Treasury, pursuant to which, among other things, the following transactions occurred:

- GMAC issued and sold to the Treasury 25,000,000 shares of GMAC s newly issued Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the New MCP), with an aggregate liquidation preference of $1,250,000,000;

- GMAC issued and sold to the Treasury a ten-year warrant to purchase up to 1,250,000 additional shares of New MCP, with an aggregate liquidation preference of $62,500,000, at an initial exercise price of $0.01 per security (the MCP Warrant) (the Treasury immediately exercised the MCP Warrant in full);

- GMAC exchanged shares of its existing preferred stock held by the Treasury with an aggregate liquidation preference of $10,125,000,000 (consisting of (1) 5,000,000 shares of GMAC s Fixed Rate Cumulative Perpetual Preferred Stock, Series D-1 (the Series D-1 Preferred Stock), (2) 250,000 shares of GMAC s Fixed Rate Cumulative Perpetual Preferred Stock, Series D-2 (the Series D-2 Preferred Stock), and (3) 97,500,000 shares of GMAC Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F (the Series F Preferred Stock)), for 202,500,000 shares of New MCP, with an aggregate liquidation preference of

$10,125,000,000; and

The Treasury converted 60,000,000 shares of existing Series F Preferred Stock into 259,200 shares of GMAC common stock in accordance with the conversion terms applicable to the Series F Preferred Stock.

As a result of the above transactions, the Treasury currently holds 228,750,000 shares of New MCP, with a total liquidation preference of $11,437,500,000. The previously issued Series D-1 Preferred Stock, Series D-1 Preferred Stock and Series F Preferred Stock, are no longer outstanding.

Series G Preferred Stock

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

Series A Preferred Stock

We currently have outstanding 1,021,764 shares of GMAC Fixed Rate Perpetual Preferred Stock, Series A (the Series A Preferred Stock), all of which are held by GM Preferred Finance Co. Holdings Inc., a wholly owned subsidiary of GM. We are required to make distributions for each fiscal quarter with respect to the Series A Preferred Stock if certain conditions are met. Distributions are made in cash no later than the tenth business day following the delivery of our quarterly and annual financial statements, and are paid at the rate of 10% per annum. The GMAC Board of Directors is permitted to reduce any distribution to the extent required to avoid a reduction of the equity capital of GMAC below a minimum amount of equity capital as specified in our Certificate of Incorporation. In addition, with the consent of GM the GMAC Board of Directors may suspend the payment of distributions with respect to any one or more fiscal quarters. Distributions not made do not accumulate.

Preferred Stock Dividends

During 2009, we paid a total of approximately $1.2 billion in cash dividends on our various series of preferred stock, which does not include approximately $174 million in dividend payments that were declared by the GMAC Board on January 8, 2010, and paid on February 15, 2010.

Unregistered Sales of Equity Securities

GMAC did not have any unregistered sales of its equity securities in fiscal year 2009, except as previously disclosed on Form 8-K.

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Item 6. Selected Financial Data

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

As of and for the year ended December 31,

($ in millions)	**2009**	2008	2007	2006	2005
Financial statement data					
Total financing revenue and other interest income	**$ 13,444**	$ 18,918	$ 22,741	$ 24,985	$ 22,876
Interest expense	**7,659**	11,297	14,406	15,326	12,912
Depreciation expense on operating lease assets	**3,748**	5,478	4,552	5,055	4,657
Impairment of investment in operating leases		1,218			
Net financing revenue	**2,037**	925	3,783	4,604	5,307
Total other revenue (a)	**4,224**	14,510	5,964	8,069	7,896
Total net revenue	**6,261**	15,435	9,747	12,673	13,203
Provision for loan losses	**6,043**	3,410	3,067	1,977	1,068
Impairment of goodwill and other intangible assets (b)		16	438	840	712
Total other noninterest expense	**8,156**	8,633	8,048	7,779	8,140
(Loss) income from continuing operations before income tax expense (benefit)	**(7,938)**	3,376	(1,806)	2,077	3,283
Income tax expense (benefit) from continuing operations (c)	**78**	(60)	395	75	1,128
Net (loss) income from continuing operations	**(8,016)**	3,436	(2,201)	2,002	2,155
(Loss) income from discontinued operations, net of tax	**(2,282)**	(1,568)	(131)	123	127
Net (loss) income	**$ (10,298)**	$ 1,868	$ (2,332)	$ 2,125	$ 2,282
Total assets	**$ 172,306**	$ 189,476	$ 248,939	$ 291,971	$ 324,321
Total debt	**$ 98,313**	$ 126,321	$ 193,148	$ 236,985	$ 254,698
Total equity	**$ 20,839**	$ 21,854	$ 15,565	$ 14,369	$ 21,685
Financial ratios (d)					
Return on assets					
Net (loss) income from continuing operations	**(4.51)%**	1.81%	(0.88)%	0.69%	0.66%
Net (loss) income	**(5.79)%**	0.99%	(0.94)%	0.73%	0.70%
Return on equity					
Net (loss) income from continuing operations	**(33.05)%**	15.72%	(14.14)%	13.93%	9.94%
Net (loss) income	**(42.46)%**	8.55%	(14.98)%	14.79%	10.52%
Equity to assets	**13.63%**	11.53%	6.25%	4.92%	6.69%
Regulatory capital ratios					
Tier 1 capital	**14.15%**	(e)	(e)	(e)	(e)
Total risk-based capital	**15.55%**	(e)	(e)	(e)	(e)
Tier 1 leverage	**12.70%**	(e)	(e)	(e)	(e)
Tier 1 common	**4.85%**	(e)	(e)	(e)	(e)

(a) 2008 amount includes $12.6 billion for gains on the extinguishment of debt, primarily related to private exchange and cash tender offers settled during the fourth quarter. 2006 amount includes realized capital gains of $1.1 billion primarily related to the rebalancing of our investment portfolio at our Insurance operations.
(b) Relates primarily to goodwill and other intangible asset impairments taken at our Insurance operations in 2008, our Mortgage operations in 2007, our Commercial Finance Group operations in 2006 and 2005, and our former commercial mortgage operations in 2005.
(c) Effective June 30, 2009, GMAC converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of $1.2 billion was established through income tax expense. Effective November 28, 2006, GMAC, along with certain of its U.S. subsidiaries, converted to limited liability companies (LLCs) and became pass-through entities for U.S. federal income tax purposes. Our conversion to an LLC resulted in a change in tax status and the elimination of a $791 million net deferred tax liability through income tax expense. Refer to Note 23 to the Consolidated Financial Statements for additional information regarding our changes in tax status.
(d) The 2009 ratios were computed based on average total assets and average total equity. The 2008, 2007, 2006, and 2005 ratios have been computed based on period-end total assets and period-end total equity as of December 31, 2008, 2007, 2006, and 2005.
(e) Not applicable as of December 31, 2008, 2007, 2006, and 2005, as GMAC did not become a bank holding company until December 24, 2008.

Management s Discussion and Analysis

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

The following Management s Discussion and Analysis of Financial Condition and Results of Operation (MD&A), as well as other portions of this Form 10-K, may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. Words such as expects, anticipates, believes, estimates, forecast, plans, and similar words or expressions are intended to identify such forward-looking statements. Any such statements other than statements of historical fact, including without limitation, statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. You should not place undue reliance on any forward-looking statement and should consider all uncertainties and risks discussed in this report, including those under Item 1A, Risk Factors, as well as those provided in any subsequent SEC filings. Forward-looking statements apply only as of the date they are made, and GMAC undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date the forward-looking statement are made.

Discontinued Operations

During 2009, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group, and have classified certain of these operations as discontinued. For all periods presented, all of the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Consolidated Financial Statements for more details.

Primary Lines of Business

Global Automotive Services and Mortgage are our primary lines of business. As a result of a change in management s view of our operations, we have changed the presentation and business activities composing our reportable operating segments as of December 31, 2009. We may periodically refine our segment reporting methodology as our management accounting and reporting practices and businesses change. Amounts for 2008 and 2007 have been reclassified to conform to the current management view. Refer to Note 29 to the Consolidated Financial Statements for further information regarding our segment changes.

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The following table summarizes the operating results excluding discontinued operations of each line of business for the years ended December 31, 2009, 2008, and 2007. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

Year ended December 31, *($ in millions)*	**2009**	2008	2007	**Favorable/ (unfavorable) 2009-2008 % change**	Favorable/ (unfavorable) 2008-2007 % change
Total net revenue (loss)					
Global Automotive Services					
North American Automotive Finance operations	**$ 3,959**	$ 2,712	$ 4,952	**46**	(45)
International Automotive Finance operations	**1,070**	1,346	1,371	**(21)**	(2)
Insurance operations	**2,271**	2,961	3,164	**(23)**	(6)
Mortgage operations	**609**	953	1,772	**(36)**	(46)
Corporate and Other	**(1,648)**	7,463	(1,512)	**(122)**	n/m
Total	**$ 6,261**	$ 15,435	$ 9,747	**(59)**	58
(Loss) income from continuing operations before income tax expense (benefit)					
Global Automotive Services					
North American Automotive Finance operations	**$ 1,752**	$ (207)	$ 3,023	**n/m**	(107)
International Automotive Finance operations	**(101)**	141	472	**(172)**	(70)
Insurance operations	**329**	499	546	**(34)**	(9)
Mortgage operations	**(7,301)**	(4,008)	(4,131)	**(82)**	3
Corporate and Other	**(2,617)**	6,951	(1,716)	**(138)**	n/m
Total	**$ (7,938)**	$ 3,376	$ (1,806)	**n/m**	n/m
Net (loss) income from continuing operations					
Global Automotive Services					
North American Automotive Finance operations	**$ 546**	$ (295)	$ 2,533	**n/m**	(112)
International Automotive Finance operations	**(216)**	119	364	**n/m**	(67)
Insurance operations	**272**	387	376	**(30)**	3
Mortgage operations	**(7,073)**	(4,001)	(4,129)	**(77)**	3
Corporate and Other	**(1,545)**	7,226	(1,345)	**(121)**	n/m
Total	**$ (8,016)**	$ 3,436	$ (2,201)	**n/m**	n/m

n/m = not meaningful

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Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown. Refer to the operating segment sections of the MD&A that follows for a more complete discussion of operating results by line of business.

Year ended December 31, *($ in millions)*	**2009**	2008	2007	**Favorable/ (unfavorable) 2009-2008 % change**	Favorable/ (unfavorable) 2008-2007 % change
Revenue					
Total financing revenue and other interest income	**$ 13,444**	$ 18,918	$ 22,741	**(29)**	(17)
Interest expense	**7,659**	11,297	14,406	**32**	22
Depreciation expense on operating lease assets	**3,748**	5,478	4,552	**32**	(20)
Impairment of investment in operating leases		1,218		**100**	n/m
Net financing revenue	**2,037**	925	3,783	**120**	(76)
Other revenue					
Net servicing income	**455**	1,516	1,649	**(70)**	(8)
Insurance premiums and service revenue earned	**1,977**	2,710	2,806	**(27)**	(3)
Gain (loss) on mortgage and automotive loans, net	**596**	(605)	597	**199**	n/m
Gain on extinguishment of debt	**665**	12,628	563	**(95)**	n/m
Other gain (loss) on investments, net	**331**	(1,095)	(590)	**130**	(86)
Other income, net of losses	**200**	(644)	939	**131**	(169)
Total other revenue	**4,224**	14,510	5,964	**(71)**	143
Total net revenue	**6,261**	15,435	9,747	**(59)**	58
Provision for loan losses	**6,043**	3,410	3,067	**(77)**	(11)
Noninterest expense					
Insurance losses and loss adjustment expenses	**1,042**	1,402	1,376	**26**	(2)
Impairment of goodwill		16	438	**100**	96
Other operating expenses	**7,114**	7,231	6,672	**2**	(8)
Total noninterest expense	**8,156**	8,649	8,486	**6**	(2)
(Loss) income from continuing operations before income tax expense (benefit)	**(7,938)**	3,376	(1,806)	**n/m**	n/m
Income tax expense (benefit) from continuing operations	**78**	(60)	395	**n/m**	115
Net (loss) income from continuing operations	**$ (8,016)**	$ 3,436	$ (2,201)	**n/m**	n/m

n/m = not meaningful

2009 Compared to 2008

We reported a net loss from continuing operations of $8.0 billion for the year ended December 31, 2009, compared to net income from continuing operations of $3.4 billion for the year ended December 31, 2008. The 2009 results from continuing operations were adversely affected by strategic actions taken to sell certain legacy mortgage assets resulting in the reclassification of these loans from held-for-investment to held-for-sale. These actions resulted in provision for loan losses of $2.4 billion in the fourth quarter of 2009. Additionally, 2009 was adversely impacted by higher mortgage representation and warranty expense of $1.2 billion compared to 2008 and a $1.2 billion income tax expense impact related to our conversion from a limited liability company to a corporation effective June 30, 2009. The income tax expense related to our conversion was largely offset by income tax benefits resulting from operating loss recognized in 2009. These adverse impacts were partially offset by a strengthening used vehicle market, which resulted in higher remarketing proceeds that favorably impacted gains on the sale of operating lease assets and reduced the provision for loan losses as a result of higher collateral values, which reduced our loss severity. Additionally, 2008 results benefited from an $11.5 million pretax gain from the extinguishment of debt related to GMAC s bond exchange.

Total financing revenue and other interest income decreased by 29% for the year ended December 31, 2009, compared to 2008, primarily due to lower asset levels at our Global Automotive Services and Mortgage operations as a result of lower

Management s Discussion and Analysis

asset origination levels and portfolio runoff. Consumer and operating lease revenue (along with the related depreciation expense) at our North American Automotive Finance operations and International Automotive operations decreased as a result of declining originations due to the continued credit market dislocation, the overall economic conditions, low consumer confidence, and our strategic decisions in late 2008 to significantly curtail leasing. In addition, our International Automotive Finance operations consumer and commercial asset levels were lower due to operations winding down in several countries. Declines in asset levels at our Mortgage operations resulted from asset sales and portfolio runoff. Additionally, our Mortgage operations recognized lower yields as a result of higher delinquencies, increases in nonaccrual levels, and the impact of lower rates on adjustable rate mortgage loans.

Interest expense was $7.7 billion for the year ended December 31, 2009, compared to $11.3 billion in 2008. Interest expense decreased at our North American Automotive operations and at our International Automotive operations primarily due to reductions in the average balance of interest-bearing liabilities consistent with lower average asset levels. The decrease at our Mortgage operations was primarily due to a lower average cost of funds due to declining interest rates and lower average borrowings related to a reduction in asset levels and extinguishments of ResCap debt. These decreases were partially offset by the amortization of the original issue discount associated with the December 2008 bond exchange.

No impairment of investment in operating leases was recognized in 2009. In 2008 we recognized a $1.2 billion impairment, which resulted from significant declines in used vehicle demand and used vehicle sales prices. The impairment consisted of $1.2 billion within our North American Automotive operations and $26 million within our International Automotive Finance operations.

Net servicing income decreased 70% during the year ended December 31, 2009, compared to 2008. The decrease was mainly due to unfavorable mortgage servicing valuations reflecting reduced cash flows and increased prepayment assumptions as a result of lower market interest rates compared to favorable valuation adjustments due to decreasing prepayment trends in 2008. Additionally, we recognized unfavorable hedge performance due to changes in the spreads between our servicing assets and derivatives, which are used to manage interest rate risk. Our ability to fully hedge interest risk and interest rate volatility was restricted in the latter half of 2008 and during the year ended December 31, 2009, by the limited availability of willing counterparties to enter into forward agreements and liquidity constraints hindering our ability to take positions in the option markets. Servicing fees also declined as a result of portfolio runoff and the sales of certain servicing assets during the second half of 2008.

Insurance premiums and service revenue earned decreased 27% during the year ended December 31, 2009, compared to 2008. The decrease was primarily due to the sale of our U.S. reinsurance agency in November 2008. Additionally, lower earned premiums on extended service contracts written in current and prior periods, lower dealer inventory levels, and decreases within our international operations contributed to a decrease in revenue. These decreases were primarily due to the overall negative economic environment and lower dealership volumes.

The net gain on mortgage and automotive loans was $596 million for the year ended December 31, 2009, compared to a net loss of $605 million for the year ended December 31, 2008. The net improvement in 2009 was primarily due to realized losses related to asset sales and significant unfavorable valuation adjustments recorded in 2008 on our mortgage loans held-for-sale, internationally in the United Kingdom, and domestically in our purchased distressed mortgage asset portfolio. Additionally, we recognized improved margins on sales of loans in 2009 as a result of our focus on originating government-insured and agency- eligible mortgage loans. Partially offsetting the positive impact were losses resulting from asset reductions in our international mortgage markets, including whole-loan asset sales in the United Kingdom. Further, decreased gains resulted from lower whole-loan sales volumes and securitization transactions in our North American Automotive operations due to a shift in our strategy to a deposit-based funding model through Ally Bank with less reliance on the securitization markets.

Gain on extinguishment of debt totaled $665 million for the year ended December 31, 2009, compared to $12.6 billion for the year ended December 31, 2008. The 2009 results were primarily driven by the recognition of a $634 million gain on the extinguishment of certain GMAC debt as part of privately negotiated transactions. The 2008 results were impacted largely by the fourth quarter private debt exchange and cash tender offers, which generated pretax gains of $11.5 billion. The 2008 results also include additional debt extinguishment gains of $1.1 billion recognized by Mortgage operations, offset by losses of $23 million recognized by Corporate and Other operations due to the repurchase and extinguishment of ResCap debt.

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Other net gain on investments was $331 million for the year ended December 31, 2009, compared to a net loss of $1.1 billion in 2008. The increase was primarily related to an increase in the fair value of asset-backed securities due to improvements in credit spreads used to value the notes, lower negative valuations recorded on our retained interests due to increases in discount rate and severity assumptions, and lower losses on residual interests due to the write-down of home equity residuals in 2008.

Other income, net of losses, increased $844 million for the year ended December 31, 2009, compared to 2008. The improvement was primarily related to the absence of certain 2008 events, including a $570 million full equity-method investment impairment due to the decline in credit market conditions and unfavorable asset revaluations, significant equity investment losses, and the recognition of a $255 million impairment on the assets of our resort finance business in 2008. Additionally, the improvement was driven by lower losses on the sale of foreclosed real estate due to lower volume and severity and lower impairments on lot option projects and model homes. Partially offsetting these increases was a decrease in real estate brokerage fee income due to the 2008 sale of our business that provided brokerage and relocation services.

The provision for loan losses was $6.0 billion for the year ended December 31, 2009, compared to $3.4 billion in 2008. Our Mortgage operations provision for loan losses increased $2.7 billion for the year ended December 31, 2009. The increase was primarily due to strategic actions in the fourth quarter of 2009 that contemplated the sale of certain legacy mortgage assets resulting in the reclassification of these assets from held-for-investment to held-for-sale and consequently the recognition of $2.4 billion in expense. Additionally, we recognized higher provision for loan losses on the Ally Bank held-for-investment portfolio due to higher projected delinquencies and loss severities, as well as regulatory input. The increase was partially offset by lower provision for loan losses as a result of lower mortgage loan and lending receivables balances in 2009 compared to 2008. Our North American Automotive Finance operations provision decreased $587 million for the year ended December 31, 2009, primarily due to a decrease in the provision for retail balloon contracts as a result of a strengthening used vehicle market in the United States and portfolio runoff as this product was curtailed in September 2008. Our Commercial Finance Group s provision increased $481 million for the year ended December 31, 2009, due to an increase in provision for loan losses within the resort finance business and in our European operations.

Insurance losses and loss adjustment expenses decreased 26% for the year ended December 31, 2009, compared to 2008. The decrease was primarily driven by the sale of our U.S. reinsurance agency and lower loss experience in our dealership-related products as a result of lower volumes.

No impairment of goodwill was recognized from continuing operations during 2009. During the year ended December 31, 2008, our North American Automotive Finance operations recognized impairment of $14 million and our Commercial Finance Group recognized impairment of $2 million as a result of our annual impairment assessment.

Other operating expenses decreased 2% for the year ended December 31, 2009, compared to 2008. Other operating expenses were largely impacted by higher mortgage representation and warranty expense of $1.2 billion in 2009 compared to 2008. Excluding the effects of mortgage representation and warranty expense, other operating expenses decreased 19% in 2009 compared to 2008. Contributing to this improvement was a decrease in compensation and benefits expense, lower insurance commissions, reduced restructuring expenses, and lower vehicle remarketing and repossession expenses.

We recognized consolidated tax expense of $78 million for the year ended December 31, 2009, compared to a tax benefit of $60 million in 2008. The increase in tax expense was primarily due to the conversion of GMAC from a limited liability company to a corporation effective June 30, 2009, which resulted in the recognition of a $1.2 billion net deferred tax liability through income tax expense. Additionally, we recognized higher valuation allowances in 2009 compared to 2008. Partially offsetting the increase in expense were higher tax benefits on operating losses as a result of our conversion to a corporation. Refer to Note 23 to the Consolidated Financial Statements for additional information regarding our change in tax status.

2008 Compared to 2007

We reported net income from continuing operations of $3.4 billion for the year ended December 31, 2008, compared to a net loss from continuing operations of $2.2 billion in 2007. The 2008 results were primarily driven by the fourth quarter private debt exchange and cash tender offers that resulted in a $11.5 billion pretax gain on extinguishment of debt. The majority of the gain was offset by losses incurred by our Mortgage and North American Automotive Finance operations as adverse market conditions continued to persist, both domestically and internationally. Disruption within the mortgage,

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housing, and capital markets contributed to a lack of liquidity, depressed asset valuations and a weak used vehicle market, impairments on lease residual values, additional loss provisions related to credit deterioration, and lower production levels.

Total financing revenue and other interest income decreased by 17% during the year ended December 31, 2008, compared to 2007, due primarily to a decrease in the size of our Mortgage operation s loan portfolio caused by lower loan production, portfolio runoff, and the deconsolidation of $27.4 billion in securitization trusts in late 2007. Additionally, increased delinquency rates on our mortgage loan portfolio resulted in an increase in nonperforming assets, which adversely impacted our Mortgage operation s financing revenue. Our North American Automotive Finance operations recognized lower consumer finance revenue due to tighter underwriting standards and lower industry sales; however, the decrease was offset by an increase in operating lease revenue. Operating lease revenue (along with related depreciation expense) increased due to an increase in the average size of the operating lease portfolio. The increase in the average size of the operating lease portfolio primarily occurred during the first half of 2008 as the portfolio was recovering from the transfer of approximately $12.6 billion of net operating assets to GM during November 2006 as part of the Sales Transactions. During the second half of 2008, the portfolio size began to decrease as we exited leasing in certain markets and increased pricing as a result of the impact of significant declines in used vehicle prices.

Interest expense decreased 22% during the year ended December 31, 2008, compared to 2007. The decrease was primarily due to lower average borrowings in our Mortgage operations due to a lower asset base, partially offset by higher funding rates due to unfavorable market conditions and our 2008 refinancing initiatives, which primarily consisted of our private debt exchange.

The $1.2 billion impairment of vehicle operating lease assets resulted from significant declines in used vehicle demand and used vehicle sale prices. Impairments recognized by our North American Automotive Finance operations totaled $1.2 billion and consisted of $808 million related to sport-utility vehicles and trucks in the United States and Canada and $384 million related to the car portfolio in the United States. The impairment recognized by our International Automotive Finance operations totaled $26 million and related to its full-service leasing portfolio.

Net servicing income decreased 8% during the year ended December 31, 2008, compared to 2007, primarily due to decreases in servicing fees collected from GM as certain operating leases previously transferred to GM continue to runoff as they reached the end of their lease term.

Insurance premiums and service revenue decreased 3% during the year ended December 31, 2008, compared to 2007. Insurance premiums and service revenue earned decreased primarily due to lower volume in dealership-related products due to sharp declines in vehicle sales during 2008, challenging domestic pricing conditions, and the sale of our U.S. reinsurance agency in November 2008.

The net loss on mortgage and automotive loans was $605 million for the year ended December 31, 2008, compared to a net gain of $597 million for 2007. The losses recognized in 2008 were primarily due to the sale of certain mortgage loans to enhance liquidity at significantly lower prices due to the absence of traditional investor demand. The net loss was partially curtailed by focusing mortgage loan originations and sales on our prime conforming and government-sponsored products. Additionally, the decrease was partially offset by gains recognized under certain fixed-pricing arrangements on whole-loan sales established in prior years by our North American Automotive Finance operations.

Gains on extinguishment of debt totaled $12.6 billion during 2008. During the fourth quarter of 2008, the private debt exchange and cash tender offers generated pretax gains of $11.5 billion of which Corporate and Other recognized $10.7 billion and Mortgage operations recognized $757 million. This gain represents the difference between the carrying value of the exchanged notes and the fair value of the newly issued securities. Refer to the Critical Accounting Estimates section in this MD&A for further discussion related to the private debt exchange and cash tender offers. The 2008 results also include additional debt extinguishment gains of $1.1 billion recognized by Mortgage operations, offset by losses of $23 million recognized by Corporate and Other due to the repurchase and extinguishment of ResCap debt. Both of these activities occurred during the second and third quarters of 2008.

Other net loss on investments was $1.1 billion for the year ended December 31, 2008, compared to $590 million in 2007. The decease primarily related to extreme market volatility that resulted in unfavorable valuation adjustments, higher realized losses, and impairment charges on certain investments. The valuation adjustments include declines in the fair value of

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asset-backed securities and related interests as a result of increased credit losses, rating agency downgrades, declines in the value of underlying collateral, market illiquidity, and changes in discount rate assumptions in certain foreign markets.

Other income, net of losses, was a loss of $644 million for the year ended December 31, 2008, compared to income of $939 million in 2007. Results were adversely impacted by decreased real estate-related revenue due to stress in the mortgage and capital markets and its effect on homebuilders and unfavorable valuation adjustments related to assets and liabilities measured at fair value. Also, the 2008 results reflect equity-method investment losses and a $570 million full equity-method investment impairment due to the decline in credit market conditions and unfavorable asset revaluations.

The provision for loan losses increased 11% during the year ended December 31, 2008, compared to 2007. The increase was primarily driven by credit losses on automotive retail balloon contract loans as demand for used vehicles continued to decrease, causing a significant reduction in underlying collateral values. Additionally, weak used vehicle prices drove higher losses due to increased loss severity and repossession rates. The provision for loan losses for commercial receivables also increased due to declining dealer financial health caused by decreasing vehicle sales due to tightened credit standards and conservative consumer spending patterns. These increases were partially offset by decreases related to lower loan origination levels and a decrease in the size of the portfolio following the deconsolidation of various Mortgage operations financing securitizations during the second half of 2007. Additionally, certain fair value elections were made by our Mortgage operations on January 1, 2008, which resulted in a lower provision expense because these elected assets within our Mortgage operation s held-for-investment loan portfolio were no longer subject to an allowance.

The impairment of goodwill during the year ended December 31, 2008, was the result of a charge of $14 million taken by our North American Automotive Finance operations and $2 million by our Commercial Finance Group. During the year ended December 31, 2007, we recorded a charge of $438 million related to the impairment of goodwill at our Mortgage operations.

Other operating expenses increased 8% during the year ended December 31, 2008, compared to 2007. The increase was primarily driven by higher professional service fees of $218 million, higher vehicle remarketing and repossession expenses of $90 million due to an increase in returned vehicle volume, increased restructuring expenses of $78 million, increased mortgage representation and warranty expenses of $38 million, and increased full-service leasing vehicle maintenance costs of $35 million.

Our consolidated income tax benefit was $60 million during the year ended December 31, 2008, compared to income tax expense of $395 million during the year ended December 31, 2007. At the time, due to our LLC tax status, our effective tax rate was heavily dependent upon the pretax income mix between our pass-through and taxable entities. For 2008, the income recognized by pass-through entities on the private debt exchange and cash tender offers was subject to a slightly lower nominal state income tax rate than operating losses incurred earlier in the year. Meanwhile, at our taxable entities, tax expense consisted of ongoing tax provisions on operating profits plus valuation allowance established at certain foreign subsidiaries. Specifically, operating losses incurred primarily at our foreign mortgage subsidiaries were subject to full valuation allowance that resulted in no tax benefit for these subsidiaries. In 2008, losses incurred at our automotive finance and mortgage pass-through entities combined with other tax adjustments resulted in an immaterial tax expense for the year. Overall, our consolidated tax expense decreased $455 million for the year ended December 31, 2008, compared to the same period in 2007. Included within tax expense was expense related to the establishment of valuation allowances for the years ended December 31, 2008 and 2007, of $639 million and $87 million, respectively. These valuation allowances primarily related to deferred tax assets on our Mortgage operations in the United Kingdom, Canada, and Australia.

Outlook

While future market conditions remain uncertain, our operations will continue to focus on positioning GMAC for improved financial performance. Future actions, as well as those taken in 2009, are expected to improve our access to the capital markets over time and limit the impact of future losses related to the legacy mortgage business. Additionally, these actions position us to explore strategic alternatives for ResCap and are expected to accelerate the timetable for repayment of the U.S. government s investment. Looking ahead, we are focused on achieving the following key strategic objectives:

Capitalize on opportunities in the automotive finance business

Demonstrate improved access to the capital markets

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- Continue to build the deposit base at Ally Bank
- Drive a critical focus on profitability, including expense management
- Explore strategic alternatives to maximize the value of our mortgage operations and further limit risk
- Transition fully to a bank holding company model

The following summarizes specific business issues that we expect to face in 2010.

- ***Global Automotive Services*** In 2010, we expect continued weakness in the overall economic environment caused by stress in the capital and housing markets and high unemployment that will continue to exert pressure on our consumer automotive finance customers resulting in a continuation of higher delinquencies, repossessions, and losses as compared to historical levels. This may not only impact the financing margins and market valuations on our owned portfolio but also impact the profit margins we recognize for sold assets.

Automotive industry sales volumes are expected to increase moderately from 2009 levels, which should positively affect our origination volumes for both the consumer and commercial loan portfolios. On October 1, 2009, GMAC introduced Ally Dealer Rewards, a program designed to drive additional business volumes by providing benefits to dealers that consistently use the company s comprehensive suite of automotive products and services, including new and used retail financing, wholesale financing, insurance products, and remarketing services. The program is currently only available to GM and Chrysler dealers in the United States, but there are plans to expand the program in the future.

As a result of actions to streamline our International Automotive Finance operations, the majority of new originations will be focused on five main countries: Germany, Brazil, the United Kingdom, Mexico, and our joint venture in China. We believe these countries offer the most advantageous environment for the generation of acceptable returns for our shareholders.

We actively manage our credit risk and believe that as of December 31, 2009, we appropriately reserved for estimated losses incurred in the portfolios. However, a prolonged or deeper economic recession could continue to adversely affect our earnings and financial condition. Retail loans and leases are secured by vehicles, and our credit exposures and risks of loss are impacted by used vehicles prices. While the used vehicle market has been volatile, we expect residual values for both GM and Chrysler vehicles to be relatively stable in 2010. To the extent the used vehicle market deteriorates, this could adversely affect loss severity and residual values in our lease portfolio. In addition, continued weakness or further deterioration in macroeconomic factors may result in a high level of bankruptcy filings by our customers (both consumer and commercial), which would have a negative impact on frequency of losses.

During 2009, the insurance marketplace experienced an increase in the frequency of claims due to an increase in miles driven as a result of lower fuel prices in comparison with 2008. High unemployment also contributed to an increase in instances of insurance fraud. We expect these factors will continue to negatively impact claim loss costs. We are addressing the increased claim loss costs with aggressive pricing and fraud detection methods in a number of markets.

- ***Mortgage*** We anticipate that domestic and international mortgage markets will remain challenged during 2010. We believe the series of mortgage-related actions announced on December 30, 2009, (described in more detail in Item 1. Our Business Mortgage) should minimize further adverse effects on GMAC and Ally Bank from any significant future losses related to ResCap s legacy mortgage business. Additionally, the actions position us to explore strategic alternatives for ResCap and the mortgage business.

We are exposed to valuation and credit risk on our portfolio of residential mortgage loans held-for-sale and held-for-investment and on mortgage- and asset-backed securities, including interests retained from our securitization activities. In addition, we are exposed to credit risk in our lending business. We actively manage our credit risk and believe that as of December 31, 2009, we appropriately reserved for estimated losses incurred in

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the portfolios. However, a negative change in economic factors (particularly in the U.S. economy) could adversely affect our 2010 earnings. With most of our credit exposures collateralized by 1 4 family homes, the severity of losses is particularly sensitive to declines in residential home prices. The overall frequency of loss is negatively influenced by increases in adverse macroeconomic factors, such as unemployment rates and bankruptcy filings.

While we have executed on a plan to reduce our exposure to adverse economic conditions, we expect the ResCap legal entity to continue to rely on GMAC for support in the near-term.

Funding and liquidity   Our ability to fund our Global Automotive Services and Mortgage operations in a cost-efficient manner is a key component of our profitability. During 2008 and 2009, the capital markets experienced significant stress that translated into increased cost and limited availability of new funding. Therefore, we had to rely on various initiatives implemented by the U.S. government aimed at stabilizing and enhancing liquidity to the financial markets. We participated in several of the programs including the Troubled Asset Relief Program (TARP), the Temporary Liquidity Guarantee Program (TLGP), the Term Auction Facility (TAF), and Term Asset-backed Securities Loan Facility (TALF). Our participation in these programs allowed us to maintain sufficient liquidity to meet all maturing unsecured debt obligations as they came due and to continue our lending and operating activities.

We continue our ongoing practice of exercising prudent liquidity and capital management. Looking forward, given our enhanced liquidity and capital position, we expect that the unsecured market could become a cost-effective means of funding for us in the future, which would assist us in sustaining our liquidity position.

Another strategy we are implementing to strengthen our liquidity position is to maximize the number of retail and wholesale automotive loans funded via Ally Bank. This strategy will allow us to use a greater diversity of funding sources like retail deposits to finance our loan portfolios and maximize profitability. We also expect to use the securitization markets to finance our retail and wholesale automotive loans, which have recently experienced greater market activity and available liquidity in recent months. In the near future, Ally Bank also expects to obtain committed secured credit facilities as an alternative source of liquidity to finance the bank s growing consumer and commercial automotive loan portfolios. Ally Bank will continue to focus on growing our consumer retail deposit base, increasing our use of the Discount Window, which is the primary credit facility under the Federal Reserve, and Federal Home Loan Bank of Pittsburgh (FHLB) advances.

Refer to the Liquidity Management, Funding, and Regulatory Capital section in this MD&A for further discussion.

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Global Automotive Services

Results for Global Automotive Services are presented by reportable segment, which includes our North American Automotive Finance operations, our International Automotive Finance operations, and our Insurance operations.

North American Automotive Finance Operations

Results of Operations

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

Year ended December 31, *($ in millions)*	**2009**	2008	2007	**Favorable/ (unfavorable) 2009-2008 % change**	Favorable/ (unfavorable) 2008-2007 % change
Revenue					
Consumer	**$ 1,804**	$ 2,358	$ 3,538	**(23)**	(33)
Commercial	**983**	940	1,084	**5**	(13)
Loans held-for-sale	**320**	473	143	**(32)**	n/m
Operating leases	**5,408**	7,236	6,306	**(25)**	15
Interest and dividend income	**422**	478	593	**(12)**	(19)
Total financing revenue and other interest income	**8,937**	11,485	11,664	**(22)**	(2)
Interest expense	**2,235**	3,419	3,909	**35**	13
Depreciation expense on operating lease assets	**3,500**	5,228	4,334	**33**	(21)
Impairment of investment in operating leases		1,192		**100**	n/m
Net financing revenue	**3,202**	1,646	3,421	**95**	(52)
Other revenue					
Servicing fees	**238**	295	403	**(19)**	(27)
Gain on automotive loans, net	**220**	442	839	**(50)**	(47)
Other income	**299**	329	289	**(9)**	14
Total other revenue	**757**	1,066	1,531	**(29)**	(30)
Total net revenue	**3,959**	2,712	4,952	**46**	(45)
Provision for loan losses	**611**	1,198	390	**49**	n/m
Impairment of goodwill		14		**100**	n/m
Noninterest expense	**1,596**	1,707	1,539	**7**	(11)
Income (loss) before income tax expense	**1,752**	(207)	3,023	**n/m**	(107)
Income tax expense	**1,206**	88	490	**n/m**	82
Net income (loss)	**$ 546**	$ (295)	$ 2,533	**n/m**	(112)

Total assets	**$ 68,282**	$ 71,981	$ 85,191	**(5)**	(16)

n/m = not meaningful

2009 Compared to 2008

Our North American Automotive Finance operations earned net income of $546 million for the year ended December 31, 2009, compared to a net loss of $295 million for the year ended December 31, 2008. The year ended December 31, 2009, was favorably impacted by a significant improvement in the used vehicle market, which resulted in higher remarketing proceeds that favorably impacted gains on the sale of operating lease assets. Additionally, we incurred lower provision for loan losses related to our liquidating retail balloon portfolio as a result of higher collateral values, which reduced our loss severity. Further, because of this improvement in the used vehicle market, we did not recognize operating lease impairments in 2009, compared to impairments of $1.2 billion in 2008. These favorable items were partially offset by lower financing revenue related to a declining asset base resulting from reduced originations due to the economic recession and the dislocation in the capital and credit markets. Also higher income tax expense resulted from GMAC s conversion to a corporation for federal income tax purposes effective June 30, 2009.

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Total financing revenue and other interest income decreased 22% for the year ended December 31, 2009, compared to 2008. Consumer financing revenue (combined with interest income on consumer loans held-for-sale) decreased 25% during the year ended December 31, 2009, primarily due to lower average consumer asset levels. These lower asset levels were driven by significantly lower originations beginning in late 2008 due to the general economic recession and significantly tighter credit markets in the United States and Canada as well as the runoff of the higher yielding subprime automotive financing portfolio. The $320 million of income on loans held-for-sale for the year ended December 31, 2009, related to interest on loans that are expected to be sold in whole-loan and full securitization transactions over the next twelve months. Commercial revenue increased 5%, compared to the year ended December 31, 2008, primarily due to an increase in average commercial loan balances, which was primarily due to the acquisition of Chrysler wholesale floor plan business and the reconsolidation of previously off-balance sheet wholesale securitization transactions in 2009. Operating lease revenue (along with the related depreciation expense) decreased as new lease originations significantly declined due to our strategic decision in late 2008 to significantly curtail leasing. This decision was based on the continued credit market dislocation and the significant decline in used vehicle prices that resulted in an impairment charge and increasing residual losses during 2008. The decrease in operating lease revenue was partially offset by remarketing gains resulting from higher used vehicle selling prices due to a strengthening used vehicle market in 2009. Interest and dividend income decreased 12% for the year ended December 31, 2009, primarily due to a lower asset base.

Interest expense decreased 35% for the year ended December 31, 2009, compared to 2008. The decrease was driven by lower funding requirements due to lower average asset levels in 2009.

No impairment of investment in operating leases was recognized in 2009. In 2008, we recognized a $1.2 billion impairment, which resulted from sharp declines in demand and used vehicle sale prices, which adversely affected vehicle remarketing proceeds.

Servicing fees decreased 19% for the year ended December 31, 2009, compared to 2008. The decrease in servicing fees related to declines in the serviced asset base primarily resulting from the runoff of the serviced lease portfolio.

We earned a net gain on automotive loans of $220 million for the year ended December 31, 2009, compared to $442 million for the year ended December 31, 2008. The decrease was primarily due to a shift in our strategy in 2009 to a deposit-based funding model through Ally Bank, with less reliance on the securitization markets. Lower whole-loan sales volumes and other off-balance sheet securitization transactions resulted in decreased gains on the sale of retail and wholesale loans.

The provision for loan losses decreased 49% for the year ended December 31, 2009, compared to 2008. The decrease was due primarily to decreases in the provision for retail balloon contracts primarily as a result of a strengthening used vehicle market and portfolio runoff as this product was curtailed in September 2008. A lower supply of used vehicles in 2009, among other factors, resulted in increased residual values and, in turn, lower provision for loan losses. Additionally, during 2008, the commercial provision had trended higher in response to concerns over GM and associated GM dealer financial health. These favorable developments were partially offset by an increase in provision for loan loss expense related to unfavorable loss trends in consumer loans in the nonprime automotive financing portfolio, primarily in the second half of 2009.

Goodwill impairment of $14 million was recognized during the year ended December 31, 2008, as a result of our annual impairment assessment. No such impairment was recognized in 2009.

Other noninterest expense decreased 7% for the year ended December 31, 2009, compared to 2008. The decrease was primarily driven by lower compensation and benefits expense and lower restructuring charges due to headcount reductions resulting from prior restructuring actions.

Our North American Automotive Finance operations incurred income tax expense of $1.2 billion for the year ended December 31, 2009, compared to $88 million for the year ended December 31, 2008. The increase in tax expense for the year ended December 31, 2009, was primarily due to the conversion of GMAC from a limited liability company into a corporation effective June 30, 2009. Due to our change in tax status, as of June 30, 2009, a net deferred tax liability of $927 million was established through income tax expense. Refer to Note 23 to the Consolidated Financial Statements for additional information regarding our change in tax status.

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2008 Compared to 2007

Our North American Automotive Finance operations incurred a net loss of $295 million during the year ended December 31, 2008, compared to net income of $2.5 billion during the year ended December 31, 2007. Weaker performance was primarily driven by impairment on operating lease assets of $1.2 billion and higher provisions for loan losses due to weaker consumer and dealer performance. Additionally, declines in new vehicle financing originations, due to tighter underwriting standards and lower industry sales, adversely impacted results.

Total financing revenue and other interest income decreased 2% for the year ended December 31, 2008, compared to 2007. Consumer revenue (combined with interest income on consumer loans held-for-sale) decreased 23% due to tighter underwriting standards and lower industry sales. The income on loans held-for-sale relates to interest on loans that are expected to be sold in whole-loan and off-balance sheet securitization transactions over the next twelve months. The increase over the prior year resulted from the movement of the business to an originate-to-distribute platform. Operating lease revenue (along with the related depreciation expense) increased because the average size of the operating lease portfolio increased. The increase in the average size of the portfolio primarily occurred during the first half of 2008 before we curtailed lease originations and resulted from a recovery in the size of the portfolio following the transfer of approximately $12.6 billion of net operating assets to GM during November 2006. This increase was partially offset by significant declines in used vehicle prices during the second half of 2008, which resulted in increased losses on operating lease disposals and triggered a significant decline in volume as we increased lease pricing and restricted lease originations. We aligned our originations to levels consistent with reduced funding sources as a result of the disruption in capital markets.

Interest expense decreased 13% for the year ended December 31, 2008, compared to 2007. The decrease was driven by lower funding requirements due to lower asset levels.

The $1.2 billion impairment of vehicle operating lease assets resulted from significant declines in used vehicle demand and used vehicle sale prices. Impairments recognized during the year ended December 31, 2008, consisted of $808 million related to sport-utility vehicles and trucks in the United States and Canada and $384 million related to the car portfolio in the United States. No impairment of investment in operating leases was recognized in 2007.

Servicing fees decreased 27% for the year ended December 31, 2008, compared to 2007, primarily due to decreases in servicing fees collected from GM, as certain operating leases previously transferred to GM continued to runoff as they reached the end of their lease term.

Net gain on automotive loans decreased 47% for the year ended December 31, 2008, compared to 2007. The decrease was driven by unfavorable pricing due to deterioration in market conditions and a decrease in off-balance sheet securitization activity. The decrease was partially offset by certain fixed-pricing arrangements in previously established flow agreements that generated higher gains.

The provision for loan losses was $1.2 billion for the year ended December 31, 2008, compared to $390 million for the year ended December 31, 2007. The increase was driven by credit losses on retail balloon contract loans as demand for used vehicles continued to decrease, causing a significant reduction in underlying collateral values. Additionally, weak used vehicle prices and weak economic conditions affecting the consumer drove higher losses due to increased loss severity and repossession rates. The provision for loan losses for commercial receivables also increased due to declining dealer financial health caused by decreasing vehicle sales due to tightened credit standards and conservative consumer spending patterns.

Goodwill impairment of $14 million was recognized during the year ended December 31, 2008, as a result of our annual impairment assessment. No such impairment was recognized in 2007.

Noninterest expense increased 11% for the year ended December 31, 2008, compared to 2007. The increase was primarily attributable to expenses associated with the announced restructuring actions in February 2008 and increased remarketing costs due to an increase in returned vehicle volume.

Our North American Automotive Finance operations incurred income tax expense of $88 million for the year ended December 31, 2008, compared to $490 million for the year ended December 31, 2007. The decrease in tax expense resulted primarily from operating losses in 2008 compared to operating income in 2007. At the time, certain of our U.S. subsidiaries

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were not subject to U.S. federal, state, or local tax expense due to their status as pass-through entities for U.S. federal income tax purposes. Our banking and foreign subsidiaries were generally taxable corporations and subject to U.S. federal, state, local, and foreign income tax.

International Automotive Finance Operations

Results of Operations

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

Year ended December 31, *($ in millions)*	**2009**	2008	2007	**Favorable/ (unfavorable) 2009-2008 % change**	Favorable/ (unfavorable) 2008-2007 % change
Revenue					
Consumer	**$ 1,453**	$ 1,899	$ 1,731	**(23)**	10
Commercial	**442**	747	621	**(41)**	20
Loans held-for-sale	**2**			**n/m**	
Operating leases	**305**	344	314	**(11)**	10
Interest and dividend income	**129**	370	184	**(65)**	101
Total financing revenue and other interest income	**2,331**	3,360	2,850	**(31)**	18
Interest expense	**1,302**	2,139	1,695	**39**	(26)
Depreciation expense on operating lease assets	**247**	247	216		(14)
Impairment of investment in operating leases		26		**100**	n/m
Net financing revenue	**782**	948	939	**(18)**	1
Other revenue					
(Loss) gain on automotive loans, net	**(77)**	1		**n/m**	n/m
Other income	**365**	397	432	**(8)**	(8)
Total other revenue	**288**	398	432	**(28)**	(8)
Total net revenue	**1,070**	1,346	1,371	**(21)**	(2)
Provision for loan losses	**239**	218	117	**(10)**	(86)
Noninterest expense	**932**	987	782	**6**	(26)
(Loss) income from continuing operations before income tax expense	**(101)**	141	472	**(172)**	(70)
Income tax expense from continuing operations	**115**	22	108	**n/m**	80
Net (loss) income from continuing operations	**$ (216)**	$ 119	$ 364	**n/m**	(67)
Total assets	**$ 21,802**	$ 29,290	$ 36,066	**(26)**	(19)

n/m = not meaningful

2009 Compared to 2008

Our International Automotive Finance operations incurred a net loss from continuing operations of $216 million during the year ended December 31, 2009, compared to net income from continuing operations of $119 million during the year ended December 31, 2008. The year ended December 31, 2009, was unfavorably impacted by lower financing revenue related to a declining asset base resulting from reduced originations due to the wind-down of operations in several countries and lower GM sales volume due to the general economic recession. Additionally, higher income tax expense resulted from GMAC s conversion to a corporation for federal income tax purposes effective June 30, 2009. The decrease was partially offset by lower funding costs commensurate with a lower asset base.

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Total financing revenue and other interest income decreased 31% for the year ended December 31, 2009, compared to 2008. Consumer financing revenue decreased 23% during the year ended December 31, 2009, primarily due to lower consumer asset levels as a result of significantly lower originations due to the general economic recession, lower GM vehicle sales volume in 2009, and the wind-down of operations in several countries. Consumer asset levels as of December 31, 2009, decreased $3.7 billion, or 24%, compared to December 31, 2008. Commercial revenue decreased 41% during 2009 compared to 2008, primarily due to lower commercial asset levels resulting from decreased GM sales volume and the wind-down of operations in several countries. Operating lease revenue decreased due to the significant curtailment of the lease product beginning in late 2008 and the runoff of assets in the full-service leasing portfolio. Interest and dividend income decreased 65% during the year ended December 31, 2009, primarily due to lower intercompany income resulting from a decline in intercompany-lending activity with our Commercial Finance Group, lower interest revenue from GM as a result of lower GM sales, and the reclassification of interest income on a one-time Brazil judicial deposit in 2008. Additionally, total financing revenue and other interest income was unfavorably impacted by foreign currency movements as a result of the strengthening of the U.S. dollar in 2009 compared to 2008.

Interest expense decreased 39% for the year ended December 31, 2009, compared to 2008. The decreases were driven by reductions in the average balance of interest-bearing liabilities consistent with a lower asset base and favorable foreign currency movements.

No impairment of investment in operating leases was recognized in 2009. The $26 million recognized for the year ended December 31, 2008, related to the full-service leasing portfolio and resulted from declines in demand and used vehicle sale prices.

We incurred a net loss on automotive loans of $77 million for the year ended December 31, 2009, compared to a net gain of $1 million for the year ended December 31, 2008. The loss for the year ended December 31, 2009, was primarily due to the recognition of a $61 million lower of cost or fair value on the held-for-sale Spanish consumer portfolio. Additionally, during 2009 we recognized a $16 million loss on the sale of our India portfolio.

Other income decreased 8% for the year ended December 31, 2009, compared to 2008. The decrease was primarily related to lower full-service leasing fees as a result of asset runoff and the absence of a U.K. value added tax (VAT) refund received in 2008. The decrease was partially offset by favorable mark-to-market adjustments on derivatives and increased vehicle remarketing income on full-service leasing vehicles resulting from a stronger used vehicle market.

Other noninterest expense was $932 million for the year ended December 31, 2009, compared to $987 million in 2008. The 2009 results were favorably impacted by the reclassification of interest income on a one-time Brazil judicial deposit in 2008 and lower IT and marketing expenses. The decrease in expense was partially offset by unfavorable foreign currency movements and higher severance and restructuring expenses.

Our International Automotive Finance operations incurred income tax expense of $115 million for the year ended December 31, 2009, compared to $22 million for the year ended December 31, 2008. The increase in tax expense was primarily due to GMAC s conversion from a limited liability company to a corporation effective June 30, 2009, and the establishment of valuation allowances on certain deferred tax assets. Refer to Note 23 to the Consolidated Financial Statements for additional information regarding our change in tax status.

2008 Compared to 2007

Our International Automotive Finance operations earned net income from continuing operations of $119 million during the year ended December 31, 2008, compared to $364 million in 2007. Weaker performance was primarily driven by higher provisions for loan losses due to weaker consumer credit performance, net unfavorable foreign currency movements, and higher funding costs.

Total financing revenue and other interest income increased 18% for the year ended December 31, 2008, compared to 2007. The increase was primarily driven by favorable foreign currency movements resulting from the weakening of U.S. dollar versus the various local currencies of the countries in which we operate. Additionally, commercial revenue increased $28 million as a result of the start up of operations in Russia. Interest and dividend income also increased due to higher interest income on intercompany loans caused by higher lending levels with Canada and our Commercial Finance Group as well as the

reclassification of interest income on a one-time Brazil judicial deposit in 2008. The intercompany-lending activities represent the activity of our International Automotive Finance operations before the elimination of balances and transactions with our other reportable segments. Excluding the impact of foreign exchange, consumer revenue decreased slightly in 2008. The global economic recession negatively influenced sales volume resulting in lower consumer asset levels.

Interest expense increased 26% for the year ended December 31, 2008, compared to 2007, primarily due to increased credit spreads, increased funding costs related to asset growth in certain international markets, and unfavorable foreign currency movements.

The $26 million impairment recognized for the year ended December 31, 2008, related to the full-service leasing portfolio and resulted from declines in demand and used vehicle sale prices. No such impairment was recognized in 2007.

Other income decreased 8% for the year ended December 31, 2008, compared to 2007, primarily due to unfavorable mark-to-market adjustments on derivatives. This decrease was partially offset by a U.K. VAT refund received in 2008.

The provision for loan losses was $218 million for the year ended December 31, 2008, compared to $117 million for year ended December 31, 2007. Consumer portfolios in Spain and Colombia were impacted by weak economic conditions, which drove higher losses due to increased loss severity. Additionally, provision expense was negatively impacted by foreign currency movements.

Noninterest expenses increased 26% for the year ended December 31, 2008, compared to 2007. The increase was primarily attributable to unfavorable foreign currency movements and the reclassification of interest income on a one-time Brazil judicial deposit in 2008.

Our International Automotive Finance operations incurred income tax expense of $22 million for the year ended December 31, 2008, compared to $108 million for the year ended December 31, 2007. The decrease in tax expense resulted primarily from lower operating income.

Automotive Finance

Our North American Automotive Finance operations and our International Automotive Finance operations provide automotive financing services to consumers and to automotive dealers and other businesses. For consumers, we offer retail automotive financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing.

Consumer Automotive Financing

Historically, we have provided two basic types of financing for new and used vehicles: retail automotive contracts and automotive lease contracts. In most cases, we purchase retail contracts and leases for new and used vehicles from dealers when the vehicles are purchased or leased by consumers. In a number of markets outside the United States, we are a direct lender to the consumer. Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. In connection with lease contracts, we also recognize a gain or loss on the remarketing of the vehicle. For purposes of discussion in this section of the MD&A, the loans related to our consumer automotive-lending activities are referred to as retail contracts.

The amount we pay a dealer for a retail contract is based on the negotiated purchase price of the vehicle and any other products, such as service contracts, less any vehicle trade-in value and any down payment from the consumer. Under the retail contract, the consumer is obligated to make payments in an amount equal to the purchase price of the vehicle (less any trade-in or down payment) plus finance charges at a rate negotiated between the consumer and the dealer. In addition, the consumer is also responsible for charges related to past-due payments. When we purchase the contract, it is normal business practice for the dealer to retain some portion of the finance charge as income for the dealership. Our agreements with dealers place a limit on the amount of the finance charges they are entitled to retain. Although we do not own the vehicles we finance through retail contracts, we hold a perfected security interest in those vehicles. Due to funding challenges related to the general economic recession, in January 2009, we ceased originating financing volume through Nuvell, which had focused on nonprime automotive financing through GM-affiliated dealers and provided private-label automotive financing.

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With respect to consumer leasing, we purchase leases (and the associated vehicles) from dealerships. The purchase price of consumer leases is based on the negotiated price for the vehicle less any vehicle trade-in and any down payment from the consumer. Under the lease, the consumer is obligated to make payments in amounts equal to the amount by which the negotiated purchase price of the vehicle (less any trade-in value or down payment) exceeds the projected residual value (including rate support) of the vehicle at lease termination, plus lease charges. The consumer is also generally responsible for charges related to past due payments, excess mileage, and excessive wear and tear. When the lease contract is entered into, we estimate the residual value of the leased vehicle at lease termination. We generally base our determination of the projected residual values on a guide published by an independent publisher of vehicle residual values, which is stated as a percentage of the manufacturer s suggested retail price. These projected values may be upwardly adjusted as a marketing incentive, if GM or GMAC considers an above-market residual support necessary to encourage consumers to lease vehicles or for a low mileage lease program.

Consumer automotive leases are operating leases; therefore credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease losses are limited to payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the lease portfolio are correlated with lease termination volume. North American operating lease accounts past due over 30 days represented 3.12% and 2.27% of the total portfolio at December 31, 2009 and 2008, respectively. In late 2008, we made a strategic decision to significantly curtail leasing. This decision was based on the continued distress in the capital markets and the significant decline in used vehicle prices that resulted in increasing residual losses. As used vehicle pricing increased during 2009, we have selectively re-entered the leasing market; however, originations remained significantly lower than in past years.

Our standard leasing plan, SmartLease, requires a monthly payment by the consumer. We also offer an alternative leasing plan, SmartLease Plus, that requires one up-front payment of all lease amounts at the time the consumer takes possession of the vehicle. In addition to the SmartLease plans, prior to September 2008, we offered the SmartBuy plan through U.S. dealerships to consumers. SmartBuy combined certain features of a lease contract with those of a traditional retail contract. Under the SmartBuy plan, the customer pays regular monthly payments that are generally lower than would otherwise be owed under a traditional retail contract. At the end of the contract, the customer has several options including keeping the vehicle by making a final balloon payment, refinancing the balloon payment, or returning the vehicle to us and paying a disposal fee plus any applicable excess wear and excess mileage charges. Unlike a lease contract, during the course of a SmartBuy contract the customer owns the vehicle, and we hold a perfected security interest in the vehicle. Effective September 2008, we ceased new originations of the SmartBuy product.

With respect to all financed vehicles, whether subject to a retail contract or a lease contract, we require that property damage insurance be obtained by the consumer. In addition, for lease contracts, we require that bodily injury and comprehensive and collision insurance be obtained by the consumer.

Consumer automotive finance retail revenue accounted for $3.3 billion, $4.3 billion, and $5.3 billion of our revenue in 2009, 2008, and 2007, respectively.

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Financing Volume

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

Year ended December 31, *(units in thousands)*	GMAC consumer automotive financing volume 2009	2008	2007	% share of GM retail sales 2009	2008	2007
Consumer financing						
GM new vehicles						
North America						
Retail contracts	**482**	620	852	**27**	25	27
Leases	**6**	309	561		13	18
Total North America	**488**	929	1,413	**27**	38	45
International (retail contracts and leases)	**352**	539	571	**14**	25	23
Total GM new units financed	**840**	1,468	1,984	**20**	32	35
Used units financed	**164**	442	504			
Non-GM new units financed						
Chrysler new units financed	**64**	8				
Other non-GM units financed	**47**	88	108			
Total non-GM new units financed	**111**	96	108			
Total consumer automotive financing volume	**1,115**	2,006	2,596			

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

Manufacturer Marketing Incentives

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

GM historically provided incentives, referred to as residual support, on leases, although we currently do not have residual support arrangements on 2009 originated leases. As previously mentioned, under these programs, we bear a portion of the risk of loss to the extent the value of a leased vehicle upon remarketing is below the projected residual value of the vehicle at the time the lease contract is signed. However, these projected values may be upwardly adjusted as a marketing incentive, if GM considers an above-market residual appropriate to encourage consumers to lease vehicles. Residual support by GM results in a lower monthly lease payment by the consumer. GM reimburses us to the extent remarketing sales proceeds are less than the residual value set forth in the lease contract.

In addition to the residual support arrangement for leases originated prior to 2009, GM shares in residual risk on a significant portion of off-lease vehicles sold at auction. Specifically, we and GM share a portion of the loss when resale proceeds fall below the standard residual values on vehicles sold at auction. GM reimburses us for a portion of the difference between proceeds and the standard residual value (limited to a floor).

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Under what we refer to as GM-sponsored pull-ahead programs, consumers may be encouraged to terminate leases early in conjunction with the acquisition of a new GM vehicle. As part of these programs, we waive all or a portion of the customer s remaining payment obligation. Under most programs, GM compensates us for a portion of the foregone revenue from the waived payments. Additionally, since these programs generally accelerate our remarketing of the vehicle, the sale proceeds are typically higher than otherwise would be realized had the vehicle been remarketed at lease contract maturity, in which case the foregone payments would be adjusted.

On November 30, 2006, and in connection with the sale by GM of a 51% interest in GMAC, GM and GMAC entered into several service agreements that codified the mutually beneficial historic relationship between the companies. One such agreement was the United States Consumer Financing Services Agreement (the Financing Services Agreement). The Financing Services Agreement, among other things, provided that subject to certain conditions and limitations, whenever GM offers vehicle financing and leasing incentives to customers (e.g., lower interest rates than market rates), it would do so exclusively through GMAC. This requirement was effective through November 2016, and in consideration for this, GMAC paid to GM an annual exclusivity fee and was required to meet certain targets with respect to consumer retail and lease financings of new GM vehicles.

Effective December 29, 2008, and in connection with the approval of our application to become a bank holding company, GM and GMAC agreed to modify certain terms and conditions of the Financing Services Agreement including the following: (1) for a two-year period, GM can offer retail financing incentive programs through a third-party financing source under certain specified circumstances and, in some cases, subject to the limitation that pricing offered by the third party meets certain restrictions, and after the two-year period, GM can offer any incentive programs on a graduated basis through third parties on a nonexclusive, side-by-side basis with GMAC provided that the pricing of the third parties meets certain requirements; (2) GMAC will have no obligation to provide operating lease financing products; and (3) GMAC will have no targets against which it could be assessed penalties. The modified Financing Services Agreement will expire on December 24, 2013. A primary objective of the Financing Services Agreement continues to be supporting distribution and marketing of GM products.

The following table summarizes the percentage of our annual retail contracts and lease volume that includes GM-sponsored rate and residual incentives.

Year ended December 31,	**2009**	2008	2007
North America	**69%**	79%	85%
International	**52%**	40%	42%

Servicing

Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, processing customer requests for account revisions (such as payment extensions and rewrites), maintaining a perfected security interest in the financed vehicle, monitoring vehicle insurance coverage, and disposing of off-lease vehicles. Servicing activities are generally consistent for our Global Automotive Finance operations; however, certain practices may be influenced by local laws and regulations.

Our customers have the option to receive monthly billing statements or coupon books, to remit payment by mail or through electronic fund transfers, or to establish online web-based account administration through the GMAC Account Center. Customer payments are processed by regional third-party processing centers that electronically transfer payment data to customers accounts.

Servicing activities also include initiating contact with customers who fail to comply with the terms of the retail contract or lease. These contacts typically begin with a remainder notice when the account is 2 to 15 days past due. Telephone contact typically begins when the account is 5 to 20 days past due. Accounts that become 25 to 30 days past due are transferred to special collections centers that track accounts more closely. The nature and timing of these activities depend on the repayment risk that the account poses.

During the collection process, we may offer a payment extension to a customer experiencing temporary financial difficulty. A payment extension enables the customer to delay monthly payments for 30, 60, or 90 days, thereby deferring the

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maturity date of the contract by the period of delay. Extensions granted to a customer typically do not exceed 90 days in the aggregate during any 12-month period or 180 days in aggregate over the life of the contract. If the customer s financial difficulty is not temporary and management believes the customer could continue to make payments at a lower payment amount, we may offer to rewrite the remaining obligation, extending the term and lowering the monthly payment obligation. In those cases, the principal balance generally remains unchanged while the interest rate charged to the customer generally increases. Extension and rewrite collection techniques help mitigate financial loss in those cases where management believes the customer will recover from financial difficulty and resume regularly scheduled payments or can fulfill the obligation with lower payments over a longer period. Before offering an extension or rewrite, collection personnel evaluate and take into account the capacity of the customer to meet the revised payment terms. Although the granting of an extension could delay the eventual charge-off of an account, typically we are able to repossess and sell the related collateral, thereby mitigating the loss. As an indication of the effectiveness of our consumer credit practices, of the total amount outstanding in the United States traditional retail portfolio as of December 31, 2006, only 6.9% of the extended or rewritten accounts were subsequently charged off through December 31, 2009. A three-year period was utilized for this analysis as this approximates the weighted average remaining term of the portfolio. As of December 31, 2009, 10.6% of the total amount outstanding in the servicing portfolio had been granted an extension or was rewritten.

Subject to legal considerations, we will normally begin repossession activity once an account becomes greater than 60-days past due. Repossession may occur earlier if management determines the customer is unwilling to pay, the vehicle is in danger of being damaged or hidden, or the customer voluntarily surrenders the vehicle. Approved third-party repossession firms handle repossessions. Normally the customer is given a period of time to redeem the vehicle by paying off the account or bringing the account current. If the vehicle is not redeemed, it is sold at auction. If the proceeds do not cover the unpaid balance, including unpaid financing charges and allowable expenses, the resulting deficiency is charged off. Asset recovery centers pursue collections on accounts that have been charged off, including those accounts where the vehicle was repossessed, and skip accounts where the vehicle cannot be located.

We have historically serviced retail contracts and leases in our managed portfolio. We will continue selling a portion of the retail contracts that we originate. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing functions. Semperian LLC, a wholly owned subsidiary, performs most servicing activities for U.S. retail contracts and consumer automotive leases on our behalf. Semperian s servicing activities are performed in accordance with our policies and procedures.

As of December 31, 2009 and 2008, our total consumer automotive serviced portfolio was $82.0 billion and $104.0 billion, respectively, compared to our consumer automotive managed portfolio of $62.9 billion and $80.8 billion, respectively.

Remarketing and Sales of Leased Vehicles

When we acquire a consumer lease, we assume ownership of the vehicle from the dealer. Neither the consumer nor the dealer is responsible for the value of the vehicle at the time of lease termination. Typically, the vehicle is returned to us for remarketing through an auction. We generally bear the risk of loss to the extent the value of a leased vehicle upon remarketing is below the projected residual value determined at the time the lease contract is signed. GM may share this risk with us for certain leased GM vehicles, as described previously under Manufacturer Marketing Incentives.

When vehicles are not purchased by customers or the receiving dealer at lease termination, we regain possession of the leased vehicles from the customers and sell the vehicles, primarily through physical and internet auctions. The following table summarizes our methods of vehicle sales in the United States at lease termination, stated as a percentage of total lease vehicle disposals.

Year ended December 31,	**2009**	2008	2007
Auction			
Internet	**60%**	47%	43%
Physical	**19%**	38%	39%
Sale to dealer	**13%**	10%	12%

Other (including option exercised by lessee)	**8%**	5%	6%

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We primarily sell our off-lease vehicles through:

- ***Internet auctions*** We offer off-lease vehicles to dealers and certain other third parties through our proprietary internet site (SmartAuction). This internet sales program maximizes the net sales proceeds from off-lease vehicles by reducing the time between vehicle return and ultimate disposition, reducing holding costs, and broadening the number of prospective buyers. We maintain the internet auction site, set the pricing floors on vehicles, and administer the auction process. We earn a service fee for every sale.

- ***Physical auctions*** We dispose of our off-lease vehicles not purchased at termination by the lease consumer or dealer or sold on an internet auction through traditional official manufacturer-sponsored auctions. We are responsible for handling decisions at the auction including arranging for inspections, authorizing repairs and reconditioning, and determining whether bids received at auction should be accepted.

Commercial Automotive Financing

Automotive Wholesale Dealer Financing

One of the most important aspects of our Global Automotive Finance operations is supporting the sale of GM and Chrysler vehicles through wholesale or floorplan financing, primarily through automotive finance purchases by dealers of new and used vehicles manufactured or distributed by GM and Chrysler and, less often, other vehicle manufacturers before sale or lease to the retail customer. Wholesale automotive financing represents the largest portion of our commercial financing business and is the primary source of funding for GM dealers purchases of new and used vehicles. In 2009, we financed 3.9 million new GM vehicles (representing a 78% share of GM sales to dealers). In addition, we financed approximately 249,000 new non-GM vehicles. Additionally, on April 30, 2009, GMAC entered into an agreement with Chrysler to become the preferred provider of new wholesale financing for Chrysler dealer inventory in the United States, Canada, and Mexico, along with other international markets upon the mutual agreement of the parties. We have continued to make significant progress in expanding our financing to Chrysler dealers resulting in increasing penetration levels throughout the year.

Wholesale credit is arranged through lines of credit extended to individual dealers. In general, each wholesale credit line is secured by all vehicles and, in some instances, by other assets owned by the dealer or the operator s or owner s personal guarantee. Additionally, to minimize our risk, both GM and Chrysler are bound by repurchase obligations that, under certain circumstances, require them to repurchase new vehicle inventory, such as dealer default. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles, which includes destination and other miscellaneous charges, and with respect to vehicles manufactured by GM and other motor vehicle manufacturers, a price rebate, known as a holdback, from the manufacturer to the dealer in varying amounts stated as a percentage of the invoice price. Interest on wholesale automotive financing is generally payable monthly. Most wholesale automotive financing of our North American Automotive Finance operations is structured to yield interest at a floating rate indexed to the Prime Rate. The wholesale automotive financing of our International Automotive Finance operations is structured to yield interest at a floating rate indexed to benchmark rates specific to the relative country. The rate for a particular dealer is based on, among other things, competitive factors, the amount and status of the dealer s creditworthiness, and various incentive programs.

Under the terms of the credit agreement with the dealer, we may demand payment of interest and principal on wholesale credit lines at any time; however, unless we terminate the credit line or the dealer defaults, we generally require payment of the principal amount financed for a vehicle upon its sale or lease by the dealer to the customer. Ordinarily, a dealer has between one and five days, based on risk and exposure of the account, to satisfy the obligation.

Wholesale automotive financing accounted for $1.2 billion, $1.4 billion, and $1.4 billion of our revenues in 2009, 2008, and 2007, respectively.

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Financing Volume

The following table summarizes our wholesale financing of new vehicles and share of GM sales to dealers in markets where we operate.

	GMAC wholesale volume			**% share of GM sales**		
Year ended December 31, *(units in thousands)*	**2009**	2008	2007	**2009**	2008	2007
Wholesale financing						
GM vehicles						
North America	**1,374**	2,540	3,161	**77**	76	77
International	**2,502**	2,864	2,932	**79**	85	88
Total GM units financed	**3,876**	5,404	6,093	**78**	81	82
Non-GM units financed						
Chrysler new units financed	**131**	7				
Other non-GM units financed	**118**	189	199			
Total non-GM units financed	**249**	196	199			
Total wholesale volume	**4,125**	5,600	6,292			

Our wholesale automotive financing continued to be the primary funding source for GM-dealer inventories. Wholesale financing volume decreased during 2009 compared to 2008, primarily because of lower GM production levels resulting from decreased inventory sales. Penetration levels in North America in 2009 continued to reflect traditionally strong levels, consistent with recent historic experience.

Other Commercial Automotive Financing

We also provide other forms of commercial financing for the automotive industry including automotive dealer term loans and automotive fleet financing. Automotive dealer term loans are loans that we make to dealers to finance other aspects of the dealership business. These loans are typically secured by real estate, other dealership assets, and occasionally the personal guarantees of the individual owners of the dealership. Automotive fleet financing may be obtained by dealers, their affiliates, and other companies and be used to purchase vehicles, which they lease or rent to others. We generally have a security interest in these vehicles and in the rental payments; however, competitive factors may occasionally limit the security interest in this collateral.

Servicing and Monitoring

We service all of the wholesale credit lines in our portfolio and the wholesale automotive finance receivables that we have securitized. A statement setting forth billing and account information is prepared by us and distributed on a monthly basis to each dealer. Interest and other nonprincipal charges are billed in arrears and are required to be paid immediately upon receipt of the monthly billing statement. Generally, dealers remit payments to GMAC through wire transfer transactions initiated by the dealer through a secure web application.

Dealers are assigned a credit category based on various factors, including capital sufficiency, operating performance, financial outlook, and credit and payment history. The credit category affects the amount of the line of credit, the determination of further advances, and the management of the account. We monitor the level of borrowing under each dealer s account daily. When a dealer s balance exceeds the credit line, we may temporarily suspend the granting of additional credit or increase the dealer s credit line or take other actions following evaluation and analysis of the dealer s financial condition and the cause of the excess.

We periodically inspect and verify the existence of dealer vehicle inventories. The timing of the verifications varies, and no advance notice is given to the dealer. Among other things, verifications are intended to determine dealer compliance with the financing agreement and confirm the status of our collateral.

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Insurance

Results of Operations

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

Year ended December 31, *($ in millions)*	**2009**	2008	2007	**Favorable/ (unfavorable) 2009-2008 % change**	Favorable/ (unfavorable) 2008-2007 % change
Revenue					
Insurance premiums and service revenue earned	**$ 1,933**	$ 2,666	$ 2,766	**(27)**	(4)
Investment income	**266**	112	290	**138**	(61)
Other income	**72**	183	108	**(61)**	69
Total insurance premiums and other income	**2,271**	2,961	3,164	**(23)**	(6)
Expense					
Insurance losses and loss adjustment expenses	**875**	1,311	1,376	**33**	5
Acquisition and underwriting expense	**1,067**	1,151	1,242	**7**	7
Total expense	**1,942**	2,462	2,618	**21**	6
Income from continuing operations before income tax expense	**329**	499	546	**(34)**	(9)
Income tax expense from continuing operations	**57**	112	170	**49**	34
Net income from continuing operations	**$ 272**	$ 387	$ 376	**(30)**	3
Total assets	**$ 10,614**	$ 12,013	$ 13,770	**(12)**	(13)
Insurance premiums and service revenue written	**$ 1,436**	$ 2,158	$ 2,491	**(33)**	(13)
Combined ratio (a)	**97.0%**	89.1%	90.8%		

(a) Management uses combined ratio as a primary measure of underwriting profitability with its components measured using accounting principles generally accepted in the United States of America. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

2009 Compared to 2008

Our Insurance operations earned net income from continuing operations of $272 million for the year ended December 31, 2009, compared to $387 million for 2008. Net income from continuing operations decreased primarily due to unfavorable underwriting results, principally driven by decreases in premiums earned, and a $93 million gain on the sale of our U.S. reinsurance agency in 2008. These negative impacts were offset by higher realized investment gains during 2009 compared to realized investment losses taken in 2008.

Insurance premiums and service revenue earned decreased 27% for the year ended December 31, 2009, compared to 2008. Insurance premiums and service revenue earned decreased primarily due to the sale of our U.S. reinsurance agency in November 2008. Additionally, decreases were recognized due to lower earned premiums on extended service contracts written in current and prior periods, lower dealer inventory levels, and decreases in international operations. These decreases were primarily due to the overall negative economic environment.

Investment income totaled $266 million for the year ended December 31, 2009, compared to $112 million in 2008. Investment income increased primarily due to the recognition of $79 million of realized capital gains during 2009 compared to $139 million of realized capital losses in 2008, which were driven by unfavorable investment market volatility. The increase was offset by a reduction in the size of the investment portfolio primarily driven by the sale of our U.S. reinsurance agency. The value of the investment portfolio was $4.7 billion and $5.1 billion at December 31, 2009 and 2008, respectively. Additionally, during the year ended December 31, 2009, other-than-temporary impairments of $55 million were recognized on certain investment securities due to unfavorable market conditions.

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Other income totaled $72 million for the year ended December 31, 2009, compared to $183 million in 2008. The decrease was primarily due to a $93 million gain recognized in 2008 related to the sale of our U.S. reinsurance agency.

Insurance losses and loss adjustment expenses decreased 33% for the year ended December 31, 2009, compared to 2008. The decrease was primarily driven by the sale of our U.S. reinsurance agency and lower loss experience in our dealership-related products as a result of lower volumes.

Acquisition and underwriting expense decreased 7% for the year ended December 31, 2009, compared to 2008. The decrease was primarily due to the sale of our U.S. reinsurance agency and lower volumes. The decrease was partially offset by an increase in corporate overhead allocations.

Income tax expense decreased 49% for the year ended December 31, 2009, compared to 2008, primarily as a result of lower income before income taxes in 2009.

2008 Compared to 2007

Our Insurance operations earned net income from continuing operations of $387 million for the year ended December 31, 2008, compared to $376 million for 2007. Net income from continuing operations for 2008 was positively impacted by a $93 million gain on the sale of our U.S. reinsurance agency, decreased insurance losses, and reduced acquisition and underwriting expenses. These positive impacts were offset by higher realized investment losses that were driven by other-than-temporary impairments recognized on certain investment securities, losses on sales of securities, and unfavorable investment market volatility. In addition, we recognized lower premiums earned due to a decline in volume of dealership-related products resulting from a sharp decline in vehicle sales.

Insurance premiums and service revenue earned decreased 4% for the year ended December 31, 2008, compared to 2007. Insurance premiums and service revenue earned decreased primarily due to lower volume in dealership-related products due to sharp declines in vehicle sales during 2008, challenging domestic pricing conditions, and the sale of our U.S. reinsurance agency in November 2008.

Investment income totaled $112 million for the year ended December 31, 2008, compared to $290 million in 2007. Investment income decreased primarily due to actions taken to reduce exposure to market volatility, which resulted in realized investment losses of $139 million for the year ended December 31, 2008. The value of the investment portfolio was $5.1 billion and $7.2 billion at December 31, 2008 and 2007, respectively. The decrease in the investment portfolio was driven by economic volatility, including the effects on foreign-denominated securities, and the sale of our U.S. reinsurance agency, which included an investment portfolio.

Other income totaled $183 million for the year ended December 31, 2008, compared to $108 million in 2007. The increase was primarily due to a $93 million gain on sale of our U.S. reinsurance agency.

Insurance losses and loss adjustment expenses and acquisition and underwriting expense decreased 6% for the year ended December 31, 2008, compared to 2007. The decrease was primarily due to lower volumes of U.S. business.

Income tax expense decreased 34% for the year ended December 31, 2008, compared to 2007. The decrease was primarily due to lower income before income taxes and more income generated within LLC entities during 2008.

Underwriting and Risk Management

We determine the premium pricing for our extended service contracts and rates for our insurance policies based upon an analysis of expected losses using historical experience and anticipated future trends. For example, in pricing our extended service contracts, we make assumptions as to the price of replacement parts and repair labor rates in the future.

In underwriting our extended service contracts and insurance policies, we assess the particular risk involved and determine the acceptability of the risk, as well as the categorization of the risk for appropriate pricing. We base our determination of the risk on various assumptions tailored to the respective insurance product. With respect to automotive service contracts, assumptions include the quality of the vehicles produced and new model introductions.

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In some instances, ceded reinsurance is used to reduce the risk associated with volatile businesses, such as catastrophe risk in U.S. dealer vehicle inventory insurance or smaller businesses, such as Canadian automobile or European dealer vehicle inventory insurance. Our commercial products business is covered by traditional catastrophe protection, aggregate stop loss protection, and an extension of catastrophe coverage for hurricane events. In addition, loss control techniques, such as hail nets or storm path monitoring to assist dealers in preparing for severe weather, help to mitigate loss potential.

We mitigate losses by the active management of claim settlement activities using experienced claims personnel and the evaluation of current period reported claims. Losses for these events may be compared to prior claims experience, expected claims, or loss expenses from similar incidents to assess the reasonableness of incurred losses.

Loss Reserves

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, we maintain reserves for reported losses, losses incurred, but not reported, and loss adjustment expenses. These reserves are based on various estimates and assumptions and are maintained both for business written on a current basis and policies written and fully earned in prior years to the extent there continues to be outstanding and open claims in the process of resolution. Refer to the Critical Accounting Estimates section of this MD&A and Note 17 to the Consolidated Financial Statements for further discussion. The estimated values of our prior reported loss reserves and changes to the estimated values are routinely monitored by credentialed actuaries. Our reserve estimates are regularly reviewed by management; however, since the reserves are based on estimates and numerous assumptions, the ultimate liability may differ from the amount estimated.

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Mortgage Operations

Results of Operations

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

Year ended December 31, *($ in millions)*	**2009**	2008	2007	**Favorable/ (unfavorable) 2009-2008 % change**	Favorable/ (unfavorable) 2008-2007 % change
Revenue					
Total financing revenue and other interest income	**$ 2,054**	$ 3,482	$ 7,195	**(41)**	(52)
Interest expense	**1,613**	3,191	6,270	**49**	49
Net financing revenue	**441**	291	925	**52**	(69)
Servicing fees	**1,321**	1,484	1,788	**(11)**	(17)
Servicing asset valuation and hedge activities, net	**(1,104)**	(263)	(542)	**n/m**	51
Total servicing income, net	**217**	1,221	1,246	**(82)**	(2)
Gain (loss) on mortgage loans, net	**453**	(1,048)	(242)	**143**	n/m
Gain on extinguishment of debt	**4**	1,875	521	**(100)**	n/m
Other income, net of losses	**(506)**	(1,386)	(678)	**63**	(104)
Total other revenue	**168**	662	847	**(75)**	(22)
Total net revenue	**609**	953	1,772	**(36)**	(46)
Provision for loan losses	**4,702**	1,984	2,550	**(137)**	22
Impairment of goodwill			438		100
Noninterest expense	**3,208**	2,977	2,915	**(8)**	(2)
Loss from continuing operations before income tax benefit	**(7,301)**	(4,008)	(4,131)	**(82)**	3
Income tax benefit from continuing operations	**(228)**	(7)	(2)	**n/m**	n/m
Net loss from continuing operations	**$ (7,073)**	$ (4,001)	$ (4,129)	**(77)**	3
Total assets	**$ 38,894**	$ 44,763	$ 81,307	**(13)**	(45)

n/m = not meaningful

2009 Compared to 2008

Our Mortgage operations incurred a net loss from continuing operations of $7.1 billion for the year ended December 31, 2009, compared to $4.0 billion for the year ended December 31, 2008. The 2009 results from continuing operations were driven by our strategic actions taken to sell certain legacy mortgage assets resulting in the reclassification of these loans from held-for-investment to held-for-sale. These actions resulted in provision for loan losses of $2.4 billion in the fourth quarter of 2009. Results were also adversely impacted by an increase in mortgage representation and warranty reserve expense of $1.2 billion and low value realization on international asset dispositions. Results were positively impacted by improved margins on government-insured and agency-eligible mortgage loans sales, cost reductions resulting from our restructuring efforts in late 2007 and 2008, slower pace of decline in the home prices, and strong refinancing activities.

Net financing revenue was $441 million for the year ended December 31, 2009, compared to $291 million in 2008. Interest expense decreased significantly due to a reduction in average borrowings in association with a smaller asset base and through ResCap debt extinguishments. Interest expense declined at a faster rate than financing revenue and other interest income reflecting the favorable cost of funding impacts resulting from a declining interest rate environment and reduced reliance on higher rate unsecured debt. Our total financing revenue and other interest income decreased significantly in comparison to 2008 due to a decline in asset levels resulting from asset sales and portfolio runoff. Additionally, we recognized lower yields as a result of higher delinquencies, increases in nonaccrual loan levels, and the impact of lower rates on adjustable rate mortgage loans.

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Net servicing income was $217 million for the year ended December 31, 2009, compared to $1.2 billion in 2008. The decrease was due to unfavorable mortgage servicing valuations reflecting reduced cash flows and increased prepayment assumptions resulting from lower market mortgage interest rates as compared to favorable 2008 valuations due to decreasing prepayment trends in 2008. Additionally, we recognized unfavorable hedge performance due to changes in the spreads between our servicing assets and the derivatives used to manage our interest rate risk. Our ability to fully hedge interest risk and interest rate volatility has been restricted since the latter half of 2008 by the limited availability of willing counterparties to enter into forward agreements and liquidity constraints hindering our ability to take positions in the option markets. Servicing fees also declined as a result of portfolio runoff and the sales of certain servicing assets during the second half of 2008.

Gain on mortgage loans, net, was a gain of $453 million for the year ended December 31, 2009, compared to a loss of $1.0 billion in 2008. Results in 2008 were significantly impacted by realized losses related to asset sales and unfavorable valuation adjustments recorded on our mortgage loans held-for-sale, internationally in the United Kingdom and domestically in our purchased distressed asset portfolio. In 2009, we recognized improved margins due to shifts in our product mix to government-insured and agency-eligible mortgage loan sales. Partially offsetting the positive impact were losses resulting from asset reductions in our international portfolios including whole loan asset sales in the United Kingdom.

Gain on extinguishment of debt was $4 million for the year ended December 31, 2009, compared to $1.9 billion for the year ended December 31, 2008. The debt extinguishment gains in 2008 included $1.1 billion following our contribution to ResCap of ResCap notes obtained through open-market repurchase (OMR) transactions or debt tender and exchange offerings and $757 million related to the private debt exchange and cash tender offers completed during the fourth quarter. Refer to Critical Accounting Estimates section in this MD&A for further discussion related to the private debt exchange and cash tender offers.

Other income, net of losses, was a loss of $506 million for the year ended December 31, 2009, compared to $1.4 billion in 2008. The decrease in the loss was driven by lower losses on the sale of foreclosed real estate due to lower volume and severity, the recognition of a $255 million impairment on the resort finance business in 2008, lower impairments on lot option projects and model homes, and negative valuations recorded in 2008 on our retained interests due to increases in discount rate and severity assumptions. The 2009 results were adversely impacted by a $220 million impairment of our equity investments and lower real estate brokerage fee income due to the 2008 sale of our business that provided brokerage and relocation services.

The provision for loan losses was $4.7 billion for the year ended December 31, 2009, compared to $2.0 billion in 2008. The increase in provision expense was primarily related to our strategic actions in the fourth quarter of 2009 that contemplated the sale of certain legacy mortgage assets resulting in the reclassification of these assets from held-for-investment to held-for-sale. These actions resulted in negative valuation adjustments of $2.4 billion in the fourth quarter of 2009. Additionally, we recognized higher provision expenses on the Ally Bank held-for-investment portfolio due to higher delinquencies and loss severities, as well as regulatory input. This increase was partially offset by lower provision for loan losses as a result of lower mortgage loan and lending receivables balances in 2009 compared to 2008.

Total noninterest expense increased 8% during the year ended December 31, 2009, compared to 2008. The increase resulted primarily from higher representation and warranty reserve expense due to higher repurchase demand requests and loss severity. Additionally, expense was higher in 2009 compared to 2008 as a result of the impairment taken on the U.K. platform and higher corporate overhead allocations related to the build out of new corporate functions to satisfy bank holding company requirements. These unfavorable impacts were partially offset by favorable foreign currency movements, lower compensation and benefits expense due to lower headcount associated with our restructuring efforts and lower overall business volume, lower severance and other restructuring charges, and from a reduction in professional fees primarily due to advisory and legal fees related to ResCap s debt restructuring in 2008.

Income tax benefit was $228 million for the year ended December 31, 2009, compared to $7 million in 2008. The 2009 results were primarily due to losses realized in the mortgage operations of Ally Bank. The 2008 results were driven mainly by the recognition of deferred tax valuation allowances by the foreign operations. In our review of international deferred tax assets during 2008, we concluded that a full valuation allowance should be recorded for most of our international business units since we believed these deferred tax assets would not be realized.

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2008 Compared to 2007

Our Mortgage operations incurred a net loss from continuing operations of $4.0 billion for the year ended December 31, 2008, compared to $4.1 billion for 2007. The 2008 results were adversely affected by economic conditions both domestically and internationally. The mortgage and capital markets experienced severe stress throughout 2008 due to credit concerns and housing market contractions in the United States and foreign markets in which we operate, effectively eliminating liquidity sources. Reduced liquidity in the capital markets resulted in stricter mortgage underwriting guidelines that when coupled with declining home prices limited refinancing options for homeowners. Housing prices in many parts of the United States, the United Kingdom, and other international markets declined significantly during 2008. Additionally, the number of delinquent loans increased causing unfavorable severity and frequency assumptions. These adverse conditions resulted in lower net interest margins, increased losses on mortgage loan sales, a decline in fair market value of our mortgage loans held-for-sale, and higher provision for losses in our mortgage held-for-investment and lending receivables portfolios. These negative impacts were partially offset during the year by gains recognized on the extinguishment of debt as well as cost reductions from restructuring actions.

Net financing revenue was $291 million for the year ended December 31, 2008, compared to $925 million in 2007. Total financing revenue decreased for the year ended December 31, 2008, compared to 2007, primarily due to a decline in the average mortgage loan and lending receivable asset balances resulting from declines in mortgage production, asset sales, portfolio runoff, reductions caused by the deconsolidation of $27.4 billion in securitization trusts in 2007, and the sale of our Mortgage operation s healthcare finance business. The decrease was further attributable to an increase in the rate of delinquencies and volume of nonaccrual loans resulting in lower yields. Interest expense decreased 49% for the year ended December 31, 2008, compared to 2007, primarily due to lower average borrowings, partially offset by higher cost of funds as a result of unfavorable capital market conditions and our refinancing initiatives in 2008.

Net servicing income decreased 2% for the year ended December 31, 2008, compared to 2007. Servicing fees declined due to higher delinquencies and a smaller portfolio as a result of sales of excess servicing and mortgage servicing rights and the runoff of our nongovernment-sponsored portfolio. However, net servicing asset valuation and hedge activities increased despite a larger decline in mortgage rates in 2008 than in 2007. Prepayment speeds in 2008 were slower due to tighter credit standards and declining home prices that limited refinancing options. Additionally, a steeper overall yield curve led to a positive impact on our hedge activities to offset asset valuation losses.

The net loss on mortgage loans was $1.0 billion for the year ended December 31, 2008, compared to $242 million for 2007. The increase was primarily the result of the liquidation of mortgage loans in our international operations and certain distressed assets to enhance liquidity. During 2008, $1.9 billion of distressed mortgage loans were sold resulting in losses of $522 million. Additionally, market conditions in the United Kingdom deteriorated significantly resulting in lower pricing, higher losses, and substantial negative fair value adjustments on the mortgage loans held-for-sale in these markets. The net loss was partially offset by focusing loan originations and sales primarily on our prime conforming and government-sponsored products.

Gain on extinguishment of debt totaled $1.9 billion for the year ended December 31, 2008, compared to $521 million in 2007. During the first nine months of 2008, debt extinguishment gains of $1.1 billion were recognized following our contribution to ResCap of ResCap notes obtained through OMR transactions or debt tender and exchange offerings. The 2008 gain also includes $757 million related to the private debt exchange and cash tender offers completed during the fourth quarter. Refer to Critical Accounting Estimates section in this MD&A for further discussion related to the private debt exchange and cash tender offers. The gain in 2007 was the result of a tender offer completed by ResCap during 2007 and our forgiveness of ResCap notes acquired in OMR transactions.

Other income, net of losses, was a loss of $1.4 billion for the year ended December 31, 2008, compared to $678 million in 2007. The increase in expense was primarily due to the continued stress in the mortgage and capital markets and its effect on homebuilders. This resulted in declines in model home lease income and lot option fees, higher write-downs on lot option projects and model homes, an increase in the loss on sale of model homes, and unfavorable fair value adjustments related to the fair value option election. Additionally, an impairment of $255 million was recorded resulting from an adjustment in fair value on the resort finance business due to its held-for-sale classification. These adverse impacts were partially offset by lower market valuation losses on real estate owned due to lower balances following the deconsolidation of the securitized held-for-investment portfolio in late 2007.

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The provision for loan losses decreased 22% for the year ended December 31, 2008, compared to 2007. The decrease was primarily driven by a smaller loan portfolio subject to allowance due to the deconsolidation of $27.4 billion of mortgage loans held-for-investment in 2007. Additionally, certain fair value elections were made on January 1, 2008, that resulted in a lower provision because these assets were adjusted to market each period and no longer subject to an allowance. These impacts were partially offset by an increase in the provision due to increased delinquencies, higher severity and frequency assumptions, and home price depreciation.

During the year ended December 31, 2007, goodwill impairment of $438 million was recorded as a result of certain triggering events, including credit downgrades and significant losses for the business. No such impairment was recognized during 2008.

Noninterest expense increased 2% during the year ended December 31, 2008, compared to 2007. The increase was primarily attributable to an increase in foreign currency losses due to the strengthening U.S. dollar and the changes in unhedged exposure caused by the limited availability of willing counterparties to enter into forward arrangements. The increase was also impacted by an increase in professional fees primarily due to costs associated with ResCap s debt tender and exchange offerings. These adverse impacts were partially offset by lower compensation and benefits expense due to announced reductions in workforce as a result of restructuring efforts.

Loan Production

U.S. Mortgage Loan Production Channels

We have two primary channels for residential mortgage loan production: the origination of loans through our direct lending network and the purchase of loans in the secondary market (primarily from Ally Bank correspondent lenders).

Direct lending network Our direct lending network consists of internet (including through the ditech.com brand) and telephone-based call center operations. In late 2008, we closed all of our retail branches as part of a restructuring initiative to streamline our operations. Most of the residential mortgage loans of this channel are originated through Ally Bank.

Correspondent lender and other secondary market purchases Loans purchased from correspondent lenders are originated or purchased by the correspondent lenders and subsequently sold to us. All of the purchases from correspondent lenders are conducted through Ally Bank. We qualify and approve any correspondent lenders who participate in the loan purchase programs.

We have ceased the majority of loan originations through mortgage brokers and closed our wholesale channel as part of a restructuring initiative announced in September 2008 to align our operations with the redirected focus on government-sponsored loan products.

The following table summarizes domestic consumer mortgage loan production by channel.

	U.S. mortgage loan production by channel					
	2009		2008		2007	
Year ended December 31, *($ in millions)*	**No. of loans**	**Dollar amount of loans**	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans
Retail branches	**8,215**	**$ 1,624**	40,316	$ 7,389	76,882	$ 12,260
Direct lending (other than retail branches)	**33,975**	**6,900**	35,044	6,249	92,470	10,664
Mortgage brokers	**607**	**165**	28,210	5,920	110,404	20,561

Correspondent lender and secondary market purchases	**260,772**		**56,042**	166,900		35,583	287,084		50,420
Total U.S. production	**303,569**	**$**	**64,731**	270,470	$	55,141	566,840	$	93,905

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The following table summarizes the composition of our domestic consumer mortgage loan production.

	U.S. mortgage loan production					
	2009		2008		2007	
Year ended December 31, *($ in millions)*	**No. of loans**	**Dollar amount of loans**	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans
ResCap	**4,267**	**$ 730**	106,418	$ 20,107	457,613	$ 71,247
Ally Bank	**299,302**	**64,001**	164,052	35,034	109,227	22,658
Total U.S. production	**303,569**	**$ 64,731**	270,470	$ 55,141	566,840	$ 93,905

U.S. Mortgage Loan Production by Type

Consistent with our focus on government-sponsored loan products, we primarily originate prime conforming and government mortgage loans. In addition, we originate and purchase high-quality nonconforming jumbo loans, mostly from correspondent lenders, for the Ally Bank held-for-investment portfolio. Prior to the 2008 restructuring, we originated and acquired a broader range of mortgage loans, which generally fell into one of the following five categories:

Prime conforming mortgage loans Prime credit quality first-lien mortgage loans secured by single-family residences that meet or conform to the underwriting standards established by Fannie Mae or Freddie Mac for inclusion in their guaranteed mortgage securities programs.

Prime nonconforming mortgage loans Prime credit quality first-lien mortgage loans secured by single-family residences that either (1) do not conform to the underwriting standards established by Fannie Mae or Freddie Mac, because they have original principal amounts exceeding Fannie Mae and Freddie Mac limits, which are commonly referred to as jumbo mortgage loans, or (2) have alternative documentation requirements and property or credit-related features (e.g., higher loan-to-value or debt-to-income ratios) but are otherwise considered prime credit quality due to other compensating factors.

Prime second-lien mortgage loans Open- and closed-end mortgage loans secured by a second or more junior lien on single-family residences, which include home equity mortgage loans and lines of credit.

Government mortgage loans First-lien mortgage loans secured by single-family residences that are insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA).

Nonprime mortgage loans First-lien and certain junior lien mortgage loans secured by single-family residences made to individuals with credit profiles that do not qualify for a prime loan, have credit-related features that fall outside the parameters of traditional prime mortgage products, or have performance characteristics that otherwise exposes us to comparatively higher risk of loss. Nonprime includes mortgage loans the industry characterizes as subprime, as well as high combined loan-to-value second-lien loans that fell out

of our standard loan programs due to noncompliance with one or more criteria.
The following table summarizes domestic consumer mortgage loan production by type.

	U.S. mortgage loan production by type					
	2009		2008		2007	
Year ended December 31, *($ in millions)*	**No. of loans**	**Dollar amount of loans**	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans
Prime conforming	**164,780**	**$ 37,651**	182,373	$ 39,559	245,953	$ 47,376
Prime nonconforming	**1,236**	**992**	4,140	1,884	85,567	28,513
Prime second-lien	**3**	**1**	11,160	873	179,462	10,097
Government	**137,550**	**26,087**	72,784	12,822	24,528	3,605
Nonprime			13	3	31,330	4,314
Total U.S. production	**303,569**	**$ 64,731**	270,470	$ 55,141	566,840	$ 93,905

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International Mortgage Loan Production

Due to market conditions, our international mortgage loan production was primarily restricted to insured mortgages in Canada during 2008 and 2009.

The following table summarizes international mortgage loan production for the periods shown.

	International mortgage loan production					
	2009		2008		2007	
Year ended December 31, *($ in millions)*	**No. of loans**	**Dollar amount of loans**	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans
United Kingdom	**25**	**$ 4**	3,379	$ 885	68,161	$ 18,903
Continental Europe	**120**	**27**	3,443	901	37,364	7,150
Canada	**7,955**	**1,362**	10,948	2,050	10,117	1,947
Other	**248**	**12**	3,002	402	9,495	580
Total international loan production	**8,348**	**$ 1,405**	20,772	$ 4,238	125,137	$ 28,580

We traditionally exited the assets we originated through securitizations and whole-loan sales. The securitization markets have been restricted or closed in each of our foreign markets. Due to liquidity needs and a lack of access to our historical exit markets, we executed a substantial number of whole-loan sales in 2008 and 2009 at reduced value resulting in large losses and a significantly reduced balance sheet. In 2009, we committed to sell ResCap s U.K. and continental Europe operations. These operations historically included residential mortgage loan originations, acquisition, sale, and securitization primarily in the United Kingdom, the Netherlands, Germany, and Spain. Refer to Note 2 to the Consolidated Financial Statements for additional information regarding our held-for-sale operations.

U.S. Warehouse Lending

We are a provider of warehouse-lending facilities to correspondent lenders and other mortgage originators in the United States. These facilities enable those lenders and originators to finance residential mortgage loans until they are sold in the secondary mortgage loan market. We provide warehouse-lending facilities principally for prime conforming and government residential mortgage loans, including mortgage loans acquired through correspondent lenders. We also provide limited warehouse-lending facilities for prime second-lien residential mortgage loans, including mortgage loans acquired through correspondent lenders. During the year ended December 31, 2009, we have continued to refine our warehouse-lending portfolio, offering such lending only to current Ally Bank correspondent clients. We provide warehouse lines secured by conforming, government, and nonconforming loans. Advances under warehouse-lending facilities are collateralized by the underlying mortgage loans and bear interest at variable rates. As of December 31, 2009, we had total warehouse line of credit commitments of approximately $2.6 billion, against which we had advances outstanding of approximately $1.5 billion. We also have $54 million of warehouse-lending receivables outstanding related to other offerings as of December 31, 2009. We purchased approximately 36% of the mortgage loans financed by our warehouse-lending facilities in 2009.

Loans Outstanding

Mortgage loans held-for-sale were as follows.

December 31, *($ in millions)*	**2009**	2008
Prime conforming	**$ 3,769**	$ 254
Prime nonconforming	**1,295**	1,202
Prime second-lien	**776**	4
Government	**3,915**	1,215
Nonprime	**1,527**	574
Total unpaid principal balance (a)	**11,282**	3,249
Net (discounts) premiums	**(319)**	(10)
Fair value option election adjustment	**19**	
Lower of cost or fair value adjustment	**(115)**	(610)
Total, net (a)	**$ 10,867**	$ 2,629

(a) Includes $1.9 billion and $472 million at December 31, 2009 and 2008, respectively, of loans held by off-balance sheet securitization trusts in which we hold a conditional repurchase option. The net carrying value of these loans is equal to the unpaid principal balance.

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The net carrying values for mortgage loans held-for-sale by loan type were as follows.

December 31, *($ in millions)*	**2009**	2008
Prime conforming	**$ 3,722**	$ 253
Prime nonconforming	**1,252**	857
Prime second-lien	**763**	4
Government	**3,952**	1,228
Nonprime	**1,178**	287
Total, net	**$ 10,867**	$ 2,629

Consumer mortgage loans held-for-investment were as follows.

December 31, *($ in millions)*	**2009**	2008
Prime conforming	**$ 386**	$ 884
Prime nonconforming	**8,514**	14,624
Prime second-lien	**3,257**	5,982
Government		171
Nonprime	**6,058**	11,542
Total unpaid principal balance (a)	**18,215**	33,203
Net premiums (discounts)	**100**	(486)
Fair value option election adjustment	**(5,789)**	(6,829)
Allowance for loan losses	**(640)**	(1,142)
Total, net (a)	**$ 11,886**	$ 24,746

(a) Includes $0 million and $1.1 billion at December 31, 2009 and 2008, respectively, of loans held by off-balance sheet securitization trusts in which we hold a conditional repurchase option. The net carrying value of these loans is equal to the unpaid principal balance.

The net carrying values for consumer mortgage loans held-for-investment by loan type were as follows.

December 31, *($ in millions)*	**2009**	2008
Prime conforming	**$ 364**	$ 800
Prime nonconforming	**8,004**	13,847
Prime second-lien	**2,194**	4,743
Government		147
Nonprime	**1,324**	5,209
Total, net	**$ 11,886**	$ 24,746

The composition of commercial-lending receivables by loan type was as follows.

December 31, *($ in millions)*	**2009**	2008
Warehouse	**$ 1,625**	$ 1,556
Construction		
Residential	**283**	1,900
Residential mezzanine		56
Total construction	**283**	1,956
Commercial business	**44**	266
Total unpaid principal balance	**1,952**	3,778
Allowance for loan losses	**(137)**	(599)
Total, net	**$ 1,815**	$ 3,179

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Mortgage Loan Servicing

While we sell most of the residential mortgage loans we originate or purchase, we generally retain the rights to service these loans. The retained mortgage servicing rights consist of primary and master servicing rights. When we act as primary servicer, we collect and remit mortgage loan payments, respond to borrower inquiries, account for principal and interest, hold custodial and escrow funds for payment of property taxes and insurance premiums, counsel or otherwise work with delinquent borrowers, supervise foreclosures and property dispositions, and generally administer the loans. When we act as master servicer, we collect mortgage loan payments from primary servicers and distribute those funds to investors in mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. Key services in this regard include loan accounting, claims administration, oversight of primary servicers, loss mitigation, bond administration, cash flow waterfall calculations, investor reporting, and tax reporting compliance. In return for performing primary and master servicing functions, we receive servicing fees equal to a specified percentage of the outstanding principal balance of the loans being serviced and may also be entitled to other forms of servicing compensation, such as late payment fees or prepayment penalties. Servicing compensation also includes interest income or the float earned on collections that are deposited in various custodial accounts between their receipt and the scheduled/contractual distribution of the funds to investors.

The value of mortgage servicing rights is sensitive to changes in interest rates and other factors. We have developed and implemented an economic hedge program to, among other things, mitigate the overall risk of loss due to a change in the fair value of mortgage servicing rights. In accordance with this economic hedge program, we hedge the change in the total fair value of our mortgage servicing rights. The effectiveness of this economic hedging program may have a material effect on the results of operations. Refer to further discussion in the Critical Accounting Estimates section of this MD&A.

The following table summarizes the primary domestic mortgage loan servicing portfolio for which we hold the corresponding mortgage servicing rights.

	U.S. mortgage loan servicing portfolio					
	2009		2008		2007	
Year ended December 31, *($ in millions)*	**No. of loans**	**Dollar amount of loans**	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans
Prime conforming	**1,380,659**	**$ 210,914**	1,481,111	$ 225,141	1,554,594	$ 227,460
Prime nonconforming	**191,551**	**58,103**	225,580	67,034	336,319	103,285
Prime second-lien	**359,861**	**14,729**	557,197	24,260	651,260	28,297
Government	**245,147**	**40,230**	138,802	20,323	180,453	19,454
Nonprime	**231,206**	**25,837**	258,026	28,275	349,696	40,105
Total U.S. primary servicing portfolio (a)	**2,408,424**	**$ 349,813**	2,660,716	$ 365,033	3,072,322	$ 418,601

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled 118,179 with an unpaid principal balance of $26.5 billion as of December 31, 2009; 149,750 with an unpaid balance of $33.1 billion as of December 31, 2008; and 205,019 with an unpaid principal balance of $44.3 billion as of December 31, 2007.

The following table sets forth our international servicing portfolio for which we hold the corresponding mortgage servicing rights.

	International servicing portfolio					
	2009		2008		2007	
Year ended December 31, *($ in millions)*	**No. of loans**	**Dollar amount of loans**	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans
United Kingdom	**41,821**	**$ 6,913**	52,446	$ 8,615	82,326	$ 19,345
Continental Europe	**62,864**	**14,333**	66,765	15,503	69,666	17,953
Canada	**26,638**	**4,677**	29,304	4,197	31,620	5,482
Other	**542**	**18**	4,277	439	2,091	312
Total international servicing portfolio	**131,865**	**$ 25,941**	152,792	$ 28,754	185,703	$ 43,092

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Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other represents our Commercial Finance Group, certain equity investments, other corporate activities, and reclassifications and eliminations between the reportable operating segments.

Year ended December 31, *($ in millions)*	**2009**	2008	2007	**Favorable/ (unfavorable) 2009-2008 % change**	Favorable/ (unfavorable) 2008-2007 % change
Revenue					
Total financing revenue and other interest income	**$ 122**	$ 591	$ 1,032	**(79)**	(43)
Interest expense	**2,509**	2,548	2,532	**(2)**	1
Depreciation expense on operating lease assets	**1**	3	2	**67**	(50)
Net financing loss	**(2,388)**	(1,960)	(1,502)	**(22)**	(30)
Other revenue					
Gain on extinguishment of debt	**661**	10,753	42	**(94)**	n/m
Other gain (loss) on investments, net	**347**	(482)	53	**172**	n/m
Other income, net of losses	**(268)**	(848)	(105)	**68**	n/m
Total other revenue	**740**	9,423	(10)	**(92)**	n/m
Total net revenue	**(1,648)**	7,463	(1,512)	**(122)**	n/m
Provision for loan losses	**491**	10	10	**n/m**	
Noninterest expense	**478**	502	194	**5**	(159)
(Loss) income from continuing operations before income tax benefit	**(2,617)**	6,951	(1,716)	**(138)**	n/m
Income tax benefit from continuing operations	**(1,072)**	(275)	(371)	**n/m**	(26)
Net (loss) income from continuing operations	**$ (1,545)**	$ 7,226	$ (1,345)	**(121)**	n/m
Total assets	**$ 32,714**	$ 31,429	$ 32,605	**4**	(4)

n/m = not meaningful

2009 Compared to 2008

Net loss from continuing operations for Corporate and Other was $1.5 billion for the year ended December 31, 2009, compared to net income from continuing operations of $7.2 billion for the year ended December 31, 2008. The decrease was primarily due to a $10.7 billion pretax gain in 2008 that resulted from the December 2008 private debt exchange offers and cash tender offers. This was partially offset by a $634 million gain related to privately negotiated transactions that extinguished certain GMAC debt during 2009. The results were also impacted by an increase of $481 million in provision for loan losses within our Commercial Finance Group. Noninterest expense decreased due to increased corporate overhead allocation reimbursements, which was partially offset by increased compensation and benefits expense due to the addition of new corporate functions to satisfy bank holding company requirements. The decrease in the net loss from continuing operations was partially offset by decreased equity investment losses. In 2008, we recognized equity investment net losses of $176 million and a full impairment on an equity investment of $570 million, primarily attributed to the decline in credit market conditions and unfavorable asset revaluations. Additionally, we experienced an increase in the fair value of asset-backed securities due to improvements in credit spreads used to value the notes. The improved credit spreads result from improving conditions in the asset-backed securities market. We were also favorably impacted by an increase in the income tax benefit primarily related to our conversion to a taxable corporation. Interest expense for the year decreased due to lower debt levels and rates, and lower allocated funds-transfer-pricing charges, offset by the amortization of the original issue discount associated with the December 2008 bond exchange.

For the year ended December 31, 2009, our Commercial Finance Group had a net loss from continuing operations of $405 million compared to net income from continuing operations of $60 million in 2008. The results were primarily impacted by an increase of $481 million in provision for loan losses in the resort finance business and our European operations and the absence of a $29 million gain recognized during July 2008 related to the sale of operations in Poland. The decrease was

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partially offset by an income tax benefit related to pretax losses and the impact of our conversion to a corporation in 2009. The results were also impacted by an $87 million fair value impairment recognized upon transfer of the resort finance business assets from held-for-sale to held-for-investment during 2009. Additionally, we recognized lower fee income and interest expense resulting from lower factored sales volume and lower asset levels.

2008 Compared to 2007

Net income from continuing operations for Corporate and Other was $7.2 billion for the year ended December 31, 2008, compared to a net loss from continuing operations of $1.3 billion for the year ended December 31, 2007. The increase was primarily due to a $10.7 billion pretax gain that resulted from the December 2008 private debt exchange offers and cash tender offers. The increase was partially offset by equity investment losses, a full impairment of an equity investment, increased bank facility fees due to increased borrowings, decreased revenue on interest bearing cash due to lower rates, other-than-temporary impairment recognized on certain investment securities due to adverse market conditions, as well as increased compensation and benefits expense, professional service fees, and IT costs. We incurred equity investment net losses of $176 million for the year ended December 31, 2008, compared to equity investment net income of $74 million for the same period in 2007. Additionally, during the fourth quarter of 2008, we recognized a full impairment on an equity investment of $570 million. The equity investment losses and impairment were primarily attributed to the decline in credit market conditions and unfavorable asset revaluations.

Our Commercial Finance Group had net income from continuing operations of $60 million for the year ended December 31, 2008, compared to income of $29 million in 2007. The results were primarily impacted by increased loans held-for-sale revenue, a $29 million gain recognized during July 2008 related to the sale of operations in Poland, other income, and lower compensation and benefits expense and tax expense. The increase was partially offset by increased interest expense as a result of higher asset levels and higher interest spreads.

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Risk Management

Managing the risk to reward trade-off is a fundamental component of operating our businesses. Our risk management process is overseen by the GMAC Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the strategy across our company while the risk committees and executive leadership team monitor potential risks and manage the risk to be within our risk appetite. The primary risks include credit, market, operational, liquidity, and legal and compliance risk.

Credit risk The risk of loss arising from a borrower not meeting its financial obligations to our firm.

Market risk The risk of loss arising from changes in the fair value of our assets or liabilities caused by movements in market variables, such as interest rates, foreign-exchange rates, and equity prices.

Operational risk The risk of loss arising from inadequate or failed processes or systems, human factors, or external events.

Liquidity risk The risk of loss arising from the failure to recognize or address changes in market conditions affecting both asset and liability flows (see Liquidity Management, Funding, and Regulatory Capital discussion within this MD&A).

Legal and compliance risk The risk of legal or regulatory sanctions, financial loss, or damage to reputation resulting from failure to comply with laws, regulations, rules, other regulatory requirements, or codes of conduct and other standards of self-regulatory organizations.

While risk oversight is ultimately the responsibility of the Board, our governance structure starts within each line of business where committees are established to oversee risk in their respective areas. The lines of business are responsible for executing on risk strategies, policies, and controls that are compliant with global risk management policies, laws, and regulations.

In addition, the Global Risk Management and Compliance organizations are accountable for independently monitoring, measuring, and reporting on the various risks. They are also responsible for defining and monitoring risk tolerances, developing and maintaining policies, and implementing risk management methodologies.

All lines of business and global functions are subject to full and unrestricted audits by Corporate Audit. Corporate Audit reports to the GMAC Audit Committee and is primarily responsible for assisting the Audit Committee in fulfilling its governance and oversight responsibilities. Corporate Audit is granted free and unrestricted access to any and all of our records, physical properties, technologies, management, and employees.

Loan and Lease Exposure

The following table summarizes the gross carrying value of our loan and lease exposures.

December 31, *($ in millions)*	**2009**	2008

Held-for-investment loans	**$ 77,701**	$ 101,728
Held-for-sale loans	**20,625**	7,919
Total on-balance sheet loans	**$ 98,326**	$ 109,647
Off-balance sheet securitized loans	**$ 107,158**	$ 152,068
Operating lease assets	**$ 15,995**	$ 26,390
Serviced loans and leases	**$ 491,326**	$ 545,411

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy and its impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification

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and future expected disposition strategy. We primarily originate loans with the intent to sell them and, as such, retain only a small percentage of the loans that we underwrite. Loans that we do not intend to retain are sold to investors such as U.S. agencies and sponsored entities, for which we may have retained an interest or right to service the loans. We ultimately manage the associated risks based on the underlying economics of the exposure.

Held-for-investment loans Loans that we have the intent and ability to hold for the foreseeable future or to maturity or loans associated with an on-balance sheet securitization classified as secured financing. These loans are recorded at the principal amount outstanding, net of unearned income, premiums and discounts, and allowances. Probable credit-related losses inherent in our held-for-investment loans carried at historical cost are reflected in our allowance for loan losses and recognized in current period earnings. We manage the economic risks of these exposures, including credit risk, by adjusting underwriting standards, augmenting our servicing and collection activities (including loan modifications), and optimizing our product and geographic concentrations. Additionally, we have elected to carry certain loans at fair value. Changes in the fair value of these loans are recognized in a valuation allowance separate from the allowance for loan losses and are reflected in current period earnings. We use market-based instruments, such as derivatives, to hedge changes in the fair value of these loans. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Held-for-sale loans Loans that we have the intent to sell. These loans are recorded on our balance sheet at the lower of cost or estimated fair value and are evaluated by portfolio and product type. Changes in the recorded value are recognized in a valuation allowance and reflected in current period earnings. We manage the economic risks of these exposures, including market and credit risks, in various ways including the use of market-based instruments such as derivatives. Additionally, we provide representations and warranties to the purchaser or facility regarding the characteristics of the underlying transferred assets. We estimate the fair value of our liability for representations and warranties when we sell loans and update our estimate quarterly. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Off-balance sheet securitized loans Loans that have been sold into qualified securitized trusts. While these loans are not consolidated on our balance sheet, we typically retain an interest in these loans. Retained interests are recorded at the lower of cost or estimated fair value and are generally classified as trading or available-for-sale securities. Changes in the value of retained interests are recorded as valuation adjustments and reported through earnings or equity depending on the classification. Similar to held-for-investment loans, we manage the economic risks of these exposures, including credit risk, through activities including servicing and collections. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Operating lease assets The net investment in the automotive assets we lease. The assets are carried at cost less depreciation based on the anticipated residual value at the end of the lease contract. An impairment to the carrying value of the assets may be deemed necessary if there is an unfavorable change in the value of the recorded asset. We are exposed to the fluctuations in the expected residual value upon remarketing the vehicle at the end of the lease, and as such, we manage the risks of these exposures at inception by setting minimum lease standards for projected residual values. We periodically receive support from automotive manufacturers for certain residual deficiencies. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Serviced loans and leases Loans that we service on behalf of our customers or another financial institution. As such, these loans can be on or off of our balance sheet. We record an asset and liability based on the fair value of the right to service off-balance sheet mortgage loans. Changes in the fair value of the mortgage servicing rights are recognized in current period earnings. We do not record servicing rights assets or liabilities for nonmortgage portfolios since we receive an upfront fee, which adequately compensates us for the servicing, or the loan is of a short-term revolving nature. We manage the economic risks of these exposures, including market and credit risks, through market-based instruments such as derivatives and securities. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

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Credit Risk Management

Credit risk is defined as the potential failure to receive payments when due from a borrower in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. To mitigate this risk, we have implemented specific processes across all lines of business utilizing both qualitative and quantitative analyses. Credit risk management is overseen through our risk committee structure and by the Risk organization. Together they establish the minimum standards for managing credit risk exposures in a safe-and-sound manner by identifying, measuring, monitoring, and controlling the risks while also permitting acceptable variations for a specific line of business with proper approval.

During 2009, the negative global economic environment and financial market turmoil continued to increase the uncertainty for the financial services sector. Throughout this turbulent economic cycle, we have seen both the housing and vehicle markets significantly decline impacting the credit quality for both our consumer and commercial segments. We anticipate that the uncertainty will continue through 2010 as the economy slowly transitions from recession to recovery. This could negatively impact credit losses and provision for loan losses in upcoming periods.

We have developed policies and practices that are committed to maintaining an independent and ongoing assessment of credit risk and quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan portfolios, including identification of relevant trends that affect the collectability of the portfolios, isolation of segments of the portfolios that are potential problem areas, identification of loans with potential credit weaknesses, and assessment of the adequacy of internal credit risk policies and procedures to monitor compliance with relevant laws and regulations.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. Our business is focused on automotive, residential real estate, commercial real estate, and commercial lending. We classify these loans as either consumer or commercial and analyze credit risk in each as mentioned below. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. To mitigate our risk concentration, we take part in loan sales, syndications, and/or third party insurance.

In response to the recent credit environment and other market conditions, we have temporarily implemented a more conservative lending policy across our lines of business, generally focusing our lending to borrowers with prime credit scores. Our mortgage operations have substantially eliminated its production of home equity loans as well as loans that do not conform to the underwriting guidelines of Fannie Mae, Freddie Mac, and Ginnie Mae. In addition, effective January 2009, we have ceased originating automotive financing volume through our nonprime automotive financing operations. We expect these actions to remain in place at least until the credit markets stabilize and accessibility improves.

Additionally, we have implemented numerous initiatives in an effort to mitigate loss and provide ongoing support to customers in financial distress. As part of our participation in certain governmental programs, we may offer mortgage loan restructurings to our borrowers. Generally these modifications provide the borrower with some form of concession and, therefore, are deemed to be troubled debt restructurings (TDR). For more information on TDRs see the discussion in Note 1 to the Consolidated Financial Statements. Furthermore, we have internally designed proprietary programs aimed at homeowners at risk of foreclosure. Each program has varying qualification criteria for the borrower to meet as well as associated modification options that we analyze to determine the best solution for the borrower. We have also implemented periodic foreclosure moratoriums that are designed to provide borrowers with extra time to sort out their financial difficulties while allowing them to stay in their homes.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both held-for-investment and held-for-sale finance receivables and loans. This primarily included $69.6 billion of automotive and $25.4 billion of mortgage finance receivables and loans as of December 31, 2009. Reported within this portfolio were certain loans that were accounted for at fair value, which were captured within our on-balance sheet view, but were not accounted for as part of the allowance for loan losses but rather as part of the fair value adjustment recorded in earnings for the period incurred. Also reported in our on-balance sheet portfolio were conditional repurchase loans held by securitization trusts that we have the option to repurchase. The typical conditional repurchase option is a delinquent loan repurchase option, which gives us the option to repurchase the loan if it exceeds a certain prespecified delinquency level (e.g., 90 days). We have complete discretion regarding when or if we will exercise these options, but generally we will do so when it is in our best interest. We rerecognize those assets that can be repurchased under the conditional repurchase option at par value (and any related liability to pay the trust) once the condition has been satisfied; this accounting is applied regardless of whether we intend to exercise the call option or not. These conditional repurchase option loans are not accounted for as part of the allowance and are recorded at fair value at the time the loans are repurchased. As of December 31, 2009, we had $1.9 billion of these loans, all of which were classified as held-for-sale.

As a result of becoming a bank holding company, we have changed several policies to comply with Federal Financial Institutions Examination Council (FFIEC) guidelines including modifications to our charge-off and nonaccrual loan policies. In the third quarter of 2009, we changed our charge-off policy to write down consumer retail automotive loans once a loan becomes 120 days past due. Additionally, during the second quarter of 2009, we changed our policy to write down first-lien mortgage loans once a loan becomes 180 days past due. Under this policy, any outstanding loan balance in excess of the estimated value of the property, less costs to sell, is charged off. These policy changes resulted in charge-offs totaling $452 million for the year ended December 31, 2009. For information on our accounting policies regarding charge-offs see Note 1 to the Consolidated Financial Statements.

Additionally, in the third quarter of 2009, we modified our nonperforming loans policy to generally place our loans on nonaccrual status when they are 90 days or more past due. Nonprime retail automotive loans are placed on nonaccrual status when delinquent for 60 days. Prior to the change, our prime retail automotive receivables were placed on nonaccrual status at 120 days past due. Also in the third quarter of 2009, we changed our policy for modified mortgage loans and now classify all modified loans as troubled debt restructured loans that requires us to place them on nonaccrual status. All nonaccrual loans, including troubled debt restructured loans, remain nonaccrual until such time as the loan has been brought fully current and the collection of contractual principal and interest is reasonably assured. For information on our accounting policies regarding nonperforming status see Note 1 to the Consolidated Financial Statements.

In 2009, our total credit portfolio continued to be negatively affected by overall deteriorating market conditions including rising unemployment and declining home prices, resulting in increased credit risk. In an effort to offset the impact of the weak market conditions, we implemented various changes and strategies throughout our lending operations. In 2009, we implemented tighter underwriting standards, increased collection and servicing resources, increased our focus on the prime lending market, and participated in several loan modification programs. Additionally, we discontinued and sold multiple nonstrategic operations, mainly in our international segments. Within our automotive operations, we exited certain underperforming domestic dealer relationships and on-boarded the majority of Chrysler dealers. Within our mortgage operations, we strategically reclassified $5.6 billion of certain legacy mortgage assets from held-for-investment to loans held-for-sale that resulted in a one-time write-down of $3.1 billion (recorded as a charge-off) in the fourth quarter of 2009. Additionally, we transferred $2.6 billion to operations held-for-sale and recorded a post-transfer impairment charge. Refer to Note 2 to the Consolidated Financial Statements for further information.

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The following table presents our total on-balance sheet consumer and commercial finance receivables and loans reported at gross carrying value.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more	
December 31, *($ in millions)*	**2009**	2008	**2009**	2008	**2009**	2008
Consumer						
Loans held-for-investment						
Loans at historical cost	**$ 41,458**	$ 60,977	**$ 816**	$ 3,109	**$ 7**	$ 92
Loans at fair value	**1,391**	1,907	**499**	361		
Loans repurchased (b)		1,079		1,070		
Total loans held-for-investment	**42,849**	63,963	**1,315**	4,540	**7**	92
Loans held-for-sale	**20,468**	6,434	**3,390**	718	**33**	7
Total consumer loans	**63,317**	70,397	**4,705**	5,258	**40**	99
Commercial						
Loans held-for-investment						
Loans at historical cost	**34,852**	37,765	**1,883**	3,046	**3**	
Loans at fair value						
Loans repurchased (b)						
Total loans held-for-investment	**34,852**	37,765	**1,883**	3,046	**3**	
Loans held-for-sale	**157**	1,485		13		
Total commercial loans	**35,009**	39,250	**1,883**	3,059	**3**	
Total on-balance sheet loans	**$ 98,326**	$ 109,647	**$ 6,588**	$ 8,317	**$ 43**	$ 99

(a) Nonperforming loans are loans placed on nonaccrual status in accordance with internal loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information.

(b) Loans repurchased are mortgage loans that we have the option, but not the obligation, to repurchase. These conditional repurchased loans are recorded at fair value at the time of repurchase.

Total on-balance sheet loans outstanding at December 31, 2009, decreased $11.3 billion to $98.3 billion from December 31, 2008, reflecting a decrease of $7.1 billion in the consumer portfolio and $4.2 billion in the commercial portfolio. The decrease in total on-balance sheet loans outstanding from the prior year is the result of lower origination levels due in part to weak market conditions, tighter underwriting standards, dealer exits, and portfolio runoff. Also contributing to the decrease were charge-offs and write-downs.

Total nonperforming loans at December 31, 2009, decreased $1.7 billion to $6.6 billion from December 31, 2008, reflecting a decrease of $553 million of consumer nonperforming loans and $1.2 billion of commercial nonperforming loans. The decrease in total nonperforming loans from the prior year is largely due to the strategic workout of underperforming dealerships and the reclassification of certain legacy mortgage assets from held-for-investment to held-for-sale.

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The following table includes held-for-investment consumer and commercial net charge-offs from loans at historical cost and related ratios adjusted for one-time charge-offs related to transfers to held-for-sale reported at gross carrying value.

	Net charge-offs (a)		Net charge-off ratios (a)	
For the year ended December 31, *($ in millions)*	**2009**	2008	**2009**	2008
Consumer				
Loans held-for-investment at historical cost (b)	**$ 6,082**	$ 1,776	**11.2%**	2.5%
Commercial				
Loans held-for-investment at historical cost	**1,017**	473	**2.8**	1.1
Total held-for-investment at historical cost	**7,099**	2,249	**7.9**	2.0
Transfers to held-for-sale (c)	**(3,438)**			
Adjusted total held-for-investment at historical cost	**$ 3,661**	$ 2,249	**4.1%**	2.0%

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value, conditional repurchase loans, and loans held-for-sale during the year for each loan category.
(b) Includes amounts related to residual losses on balloon automotive SmartBuy finance contracts. These amounts totaled $83 million and $342 million for the years ended December 31, 2009 and 2008, respectively.
(c) Includes $3,428 million and $10 million of net charge-offs related to transfers to held-for-sale for consumer and commercial, respectively.

Our net charge-offs from total on-balance sheet loans totaled $7.1 billion for the year ended December 31, 2009, compared to $2.2 billion for the year ended December 31, 2008. The $4.9 billion increase was largely the result of one time charge-offs taken in the fourth quarter 2009 related to the reclassification and write-down of certain legacy mortgage assets. Also contributing to the increase in net charge-offs were one time write-downs due to the changes in charge-off policies. Loans held-for-sale were accounted for at fair value and therefore do not record charge-offs.

The subsequent consumer and commercial credit portfolio discussions are presented on a held-for-investment basis with loans recorded at historical cost as those loans are included in our allowance for loans losses. Held-for-investment loans measured at fair value and conditional repurchase option loans were excluded from these discussions since those exposures do not carry an allowance. Additionally, the reclassification of certain mortgage legacy assets substantially changed the composition of our held-for-investment consumer mortgage loan portfolio.

Consumer Credit Portfolio

Our consumer portfolio primarily consists of automobile, residential mortgages, and home equity loans, with a focus on serving the prime secured consumer credit market. Loan losses in our consumer loan portfolio are influenced by general business and economic conditions including unemployment rates, bankruptcy filings, and home and used vehicle prices. Additionally, our consumer credit exposure is significantly concentrated in automotive lending (primarily through GM and Chrysler dealerships). Due to our GM and Chrysler subvention relationships, we are able to mitigate some interest income exposure to certain consumer defaults by receiving a rate support payment directly from the automotive manufacturers at origination.

Credit risk management for the consumer portfolio begins with the initial underwriting and continues throughout a borrower s credit cycle. We manage consumer credit risk through our loan purchase policy, credit approval process, and servicing capabilities. We use credit scoring models to differentiate the expected default rates of credit applicants enabling us to better evaluate credit applications for approval and to tailor the pricing and financing structure according to this assessment of credit risk. We regularly review the performance of the credit scoring models and update them for historical information and current trends. These actions, however, do not eliminate credit risk. Improper evaluations of contracts for purchase, borrower fraud, and changes in the applicant s financial condition after approval could negatively affect the quality of our receivables portfolio, resulting in credit losses.

Our servicing activities are another key factor in managing consumer credit risk. Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, and

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processing customer requests for account revisions (such as payment extensions and refinancings). Servicing activities are generally consistent across our operations; however, certain practices may be influenced by local laws and regulations.

Over the past year, the credit performance of the consumer held-for-investment loan portfolio continued to be negatively affected by weakness in the housing markets, rising unemployment, and overall weakened economic conditions. Also contributing to the reduction in consumer loans outstanding were asset reclassifications from held-for-investment to held-for-sale, continued portfolio runoff, and lower origination retention. Originations in the consumer loan portfolio for 2009 were driven mainly by our participation in government and automotive manufacturer incentive programs, the low interest rate environment, increased production of conforming loans, and our new partnership with Chrysler.

The following table includes held-for-investment consumer finance receivables and loans recorded at historical cost reported at gross carrying value.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more	
December 31, *($ in millions)*	**2009**	2008	**2009**	2008	**2009**	2008
Domestic						
Automobile	**$ 12,514**	$ 16,281	**$ 267**	$ 294	**$**	$ 19
1st Mortgage	**6,921**	11,630	**326**	1,600	**1**	33
Home equity						
1st lien	**1,718**	1,920	**10**	13		
2nd lien	**2,168**	4,950	**61**	210		
Total domestic	**23,321**	34,781	**664**	2,117	**1**	52
Foreign						
Automobile	**17,731**	21,705	**119**	125	**5**	40
1st Mortgage	**405**	4,437	**33**	867	**1**	
Home equity						
1st lien						
2nd lien	**1**	54				
Total foreign	**18,137**	26,196	**152**	992	**6**	40
Total consumer finance receivables and loans	**$ 41,458**	$ 60,977	**$ 816**	$ 3,109	**$ 7**	$ 92

(a) Includes nonaccrual restructured loans of $268 million and $550 million as of December 31, 2009 and 2008, respectively.

Total consumer outstanding finance receivables and loans decreased $19.5 billion at December 31, 2009, compared with 2008, largely due to a decrease in the size of the mortgage and home equity loan portfolio as a result of asset reclassifications. Also contributing to the decrease in mortgage and home equity loans outstanding were tighter underwriting standards and low retention of originated loans on the balance sheet as most originations were sold or securitized partially offset by government first-time homebuyer tax credit incentives and increased refinancings. Total consumer automobile outstanding finance receivables and loans decreased $7.7 billion at December 31, 2009, compared to 2008, due to tighter underwriting standards, lower industry sales, and lower retention rates in the held-for-investment portfolio that were partially offset by originations driven by competitive pricing strategies, our partnership with Chrysler, and increased incentive programs (e.g., Cash for Clunkers and automotive manufacturer initiatives).

Consumer finance receivables and loans are generally placed on nonaccrual status when delinquent for 90 days or when determined that full collection is not likely. Exceptions include nonprime retail automotive receivables that are placed on nonaccrual status when delinquent for 60 days. Nonaccrual loans also include impaired loans or loans that have been modified in troubled debt restructurings as a concession to borrowers experiencing financial difficulties. For information on our accounting policies regarding nonperforming status see Note 1 to the Consolidated Financial Statements.

Nonperforming loans decreased $2.3 billion compared to December 31, 2008, driven by the write-down and reclassification of certain legacy mortgage assets to held-for-sale. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 2.0% and 5.1% at December 31, 2009 and 2008, respectively.

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At December 31, 2009 and 2008, consumer loans accruing past due 90 days or more were $7 million and $92 million, respectively. The decline is primarily due to the changes in our nonaccrual loans policy as stated above.

Consumer domestic automotive loans accruing past due 30 days or more increased $35 million to $834 million at December 31, 2009, compared with 2008, primarily due to increased delinquencies in the runoff nonprime automotive portfolio.

The following table includes held-for-investment consumer net charge-offs and related ratios reported at gross carrying value.

	Net charge-offs		**Net charge-off ratios**	
For the year ended December 31, *($ in millions)*	**2009**	2008	**2009**	2008
Domestic				
Automobile (a)	**$ 823**	$ 931	**5.8%**	5.1%
1st Mortgage	**2,433**	374	**23.0**	2.5
Home equity				
1st lien	**40**	37	**2.2**	1.9
2nd lien	**1,539**	178	**4.9**	0.4
Total domestic	**4,835**	1,520	**15.5**	3.8
Foreign				
Automobile	**301**	163	**1.5**	0.6
1st Mortgage	**946**	93	**25.1**	1.6
Home equity				
1st lien				
2nd lien				
Total foreign	**1,247**	256	**5.4**	0.8
Total consumer finance receivables and loans	**6,082**	1,776	**11.2**	2.5
Transfers to held-for-sale	**(3,428)**			
Adjusted total consumer finance receivables and loans	**$ 2,654**	$ 1,776	**4.9%**	2.5%

(a) Includes amounts related to residual losses on balloon automotive SmartBuy finance contracts. These amounts totaled $83 million and $342 million for the years ended December 31, 2009 and 2008, respectively.

Our net charge-offs from total consumer automobile loans increased $30 million for the year ended December 31, 2009, compared to 2008. The increase in net charge-offs was primarily due to overall weaker economic conditions and a change in our charge-off policy in the third quarter of 2009 to write down retail loans to net realizable value once a loan becomes 120 days past due, which were partially offset by a reduction in severity of losses due to improvement in used vehicle prices in comparison with the same period in 2008.

Our net charge-offs from total consumer mortgage and home equity loans were $5.0 billion for the twelve months ended December 31, 2009, compared to $682 million for the same period in 2008. The significant increase is largely the result of charge-offs taken in the fourth quarter 2009 related to the reclassification and write-down of certain legacy mortgage assets as a result of the decision to sell those loans. Continuing home price depreciation, rising unemployment, and other market factors have resulted in an increase in short sale strategies and foreclosures, driving higher frequency and severity of loss of mortgage and home equity loans. Additionally, during the second quarter of 2009, we changed our charge-off policy to write down first-lien mortgage loans to their net realizable value at no later than 180 days past due. Refer to Note 1 to the Consolidated Financial Statements for additional information related to our charge-off policy.

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The following table summarizes the total consumer loan originations unpaid principal balance for the periods shown.

For the year ended December 31, *($ in millions)*	**2009**	2008
Domestic		
Automobile	**$ 18,091**	$ 21,174
1st Mortgage	**64,731**	53,514
Home equity		1,626
Total domestic	**82,822**	76,314
Foreign		
Automobile	**7,434**	15,662
1st Mortgage	**1,405**	4,173
Home equity		65
Total foreign	**8,839**	19,900
Total consumer loan originations	**$ 91,661**	$ 96,214

Total consumer loan originations include loans classified as held-for-investment and held-for-sale during the period.

Total domestic automotive originated loans decreased $3.1 billion compared to 2008 due to the general economic recession, tighter underwriting standards, and lower GM vehicle sales volume which were partially offset by Chrysler vehicle sales volume as well as various incentive programs (e.g., Cash for Clunkers and automotive manufacturer initiatives). Total foreign automotive originations also decreased $8.2 billion at December 31, 2009, compared to 2008, due to the wind-down of operations in several countries.

Total domestic mortgage originated loans increased $11.2 billion due to government homebuyer incentives and increased refinancings. Total foreign mortgage loan originations decreased $2.8 billion due largely to discontinued operations. There were no home equity originations in 2009 due to our change in strategy.

Consumer loan originations retained on-balance sheet as held-for-investment decreased $10.1 billion to $11.8 billion at December 31, 2009, compared to 2008.

The following table shows held-for-investment consumer finance receivables and loans recorded at historical cost reported at gross carrying value by state and foreign concentration. Total automotive loans were $30.2 billion and

$38.0 billion for the years ended December 31, 2009 and 2008, respectively. Total mortgage and home equity loans were $11.2 billion and $23.0 billion for the years ended December 31, 2009 and 2008, respectively.

	2009		2008	
December 31,	**Automobile**	**1st Mortgage and home equity**	Automobile	1st Mortgage and home equity
California	**2.7%**	**23.3%**	2.8%	19.8%

Texas	**7.5**	**2.9**	8.3	1.9
Florida	**2.1**	**4.4**	2.0	5.3
Illinois	**1.9**	**4.4**	2.0	3.4
New York	**2.4**	**2.9**	3.3	3.1
Michigan	**1.4**	**5.4**	0.9	4.4
Pennsylvania	**2.4**	**1.8**	2.5	1.7
Virginia	**0.8**	**5.5**	0.8	4.3
Arizona	**0.8**	**4.0**	0.9	3.6
Maryland	**0.7**	**4.4**	0.7	3.5
Other United States	**18.7**	**37.4**	18.6	29.5
Canada	**20.1**	**3.6**	16.7	0.8
Germany	**13.3**		12.5	6.9
Brazil	**6.8**		4.3	
Other foreign	**18.4**		23.7	11.8
Total consumer loans	**100.0%**	**100.0%**	100.0%	100.0%

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We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in California and Texas which represent an aggregate of 15% of our total outstanding consumer loans.

Concentrations in our mortgage operations are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Arizona receive particular attention as their real estate value depreciation has been the most severe. The legacy mortgage asset write-downs and reclassifications to held-for-sale significantly reduced our concentrations in those real estate markets.

Our foreign automotive outstandings are heavily concentrated in Canada and Germany, representing 20% and 13%, respectively, of total consumer automotive loans outstanding.

Repossessed and Foreclosed Assets

Assets are classified as repossessed and foreclosed (included in other assets on the Consolidated Balance Sheet) when physical possession of the collateral is taken, regardless of whether foreclosure proceedings have taken place. For more information on repossessed and foreclosed assets see the discussion in Note 1 to the Consolidated Financial Statements.

Repossessed assets in our automotive finance operations decreased $19 million for the year ended December 31, 2009, compared to 2008. The decrease was primarily attributable to rising used vehicle values, which improved inventory turnover. Foreclosed mortgage assets decreased $470 million during the year ended December 31, 2009, compared to 2008, as we actively worked with borrowers to modify the terms of existing loans or agreed to a short sale.

Higher Risk Mortgage Loans

During the year ended December 31, 2009, we primarily focused our origination efforts on prime conforming and government guaranteed mortgages in the United States and high-quality insured mortgages in Canada, which reduced our overall exposure to products that increase our credit risk. As of December 31, 2009, we continued to hold mortgage loans that have features that expose us to credit risk and thereby could result in a concentration of credit risk. These loan products include high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for domestic production and prime nonconforming or nonprime for international production), and teaser rate mortgages (prime or nonprime).

In circumstances when a loan has features such that it falls into multiple categories it is classified to a category only once based on the following hierarchy: (1) high original loan-to-value mortgage loans, (2) payment-option adjustable-rate mortgage loans, (3) interest-only mortgage loans, and (4) below market rate (teaser) mortgages. We believe this hierarchy provides the most relevant risk assessment of our nontraditional products with the current declining home prices.

The underwriting guidelines for these products take into consideration the borrower s capacity to repay the loan and credit history. We believe our underwriting procedures adequately consider the unique risks, which may come from these products. We conduct a variety of quality control procedures and periodic audits to ensure compliance with underwriting standards.

High loan-to-value mortgages Defined as first-lien loans with original loan-to-value ratios equal to or in excess of 100% or second-lien loans that when combined with the underlying first-lien mortgage loan result in an original loan-to-value ratio equal to or in excess of 100%.

Payment-option adjustable-rate mortgages Permit a variety of repayment options. The repayment options include minimum, interest-only, fully amortizing 30-year, and fully amortizing 15-year payments. The minimum payment option sets the monthly payment at the initial interest rate for the first year of the loan. The interest rate resets after the first year, but the borrower can continue to make the minimum payment. The interest-only option sets the monthly payment at the amount of interest due on the loan. If the interest-only option payment would be less than the minimum payment, the interest-only option is not available to the borrower. Under the fully amortizing 30- and 15-year payment options, the borrower s monthly payment is set based on the interest rate, loan balance, and remaining loan term.

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Interest-only mortgages   Allow interest-only payments for a fixed time. At the end of the interest-only period, the loan payment includes principal payments and increases significantly. The borrower s new payment, once the loan becomes amortizing (i.e., includes principal payments), will be greater than if the borrower had been making principal payments since the origination of the loan.

Below market rate (teaser) mortgages   Contain contractual features that limit the initial interest rate to a below market interest rate for a specified time period with an increase to a market interest rate in a future period. The increase to the market interest rate could result in a significant increase in the borrower s monthly payment amount.

The following table summarizes the higher-risk mortgage loan production retained as held-for-investment and reported at unpaid principal balance.

December 31, *($ in millions)*	**2009**	2008
High original loan-to-value (greater than 100%) mortgage loans	**$ 11**	$ 169
Payment-option adjustable-rate mortgage loans		
Interest-only mortgage loans	**302**	812
Below market rate (teaser) mortgages		156
Total	**$ 313**	$ 1,137

Domestic interest-only mortgage loan originations are in accordance with approved underwriting guidelines and have an average loan-to-value of 64%.

The following table summarizes held-for-investment mortgage loans and portfolios reported at gross carrying value by higher-risk loan type.

	2009			2008		
December 31, *($ in millions)*	**Outstanding**	**Nonperforming**	**Accruing past due 90 days or more**	Outstanding	Nonperforming	Accruing past due 90 days or more
High original loan-to-value (greater than 100%) mortgage loans	**$ 7**	**$ 4**	**$**	$ 1,807	$ 362	$ 3
Payment-option adjustable-rate mortgage loans	**7**	**1**		156	83	1
Interest-only mortgage loans	**4,346**	**139**		8,694	1,109	2
Below market rate (teaser) mortgages	**331**	**2**		1,054	24	
Total	**$ 4,691**	**$ 146**	**$**	$ 11,711	$ 1,578	$ 6

Allowance for loan losses was $279 million or 5.9% of total higher risk held-for-investment mortgage loans based on gross carrying value outstanding at December 31, 2009.

The following table includes our five largest state and foreign concentrations based on our higher risk held-for-investment loans reported at gross carrying value as of December 31, 2009.

December 31, 2009 *($ in millions)*	High original loan-to-value (greater than 100%) mortgage loans	Payment-option adjustable-rate mortgage loans	Interest-only mortgage loans (a)	Below market rate (teaser) mortgages	All higher risk loans
California	$ 1	$ 2	$ 1,128	$ 102	$ 1,233
Virginia			397	13	410
Maryland			309	8	317
Michigan			259	11	270
Illinois			230	9	239
All other domestic and foreign	6	5	2,023	188	2,222
Total	$ 7	$ 7	$ 4,346	$ 331	$ 4,691

(a) At origination, interest-only mortgage loans had an average FICO of 743 and an average loan-to-value of 72%.

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Commercial Credit Portfolio

Our commercial portfolio consists of automotive loans (wholesale floorplan, dealer term loans, and automotive fleet financing), commercial real estate loans, and other commercial finance loans. In general, the credit risk of our commercial portfolio is tied to overall economic conditions in the countries in which we operate. Further, our commercial credit exposure is concentrated in automotive dealerships (primarily GM and Chrysler). In 2009, we entered into an agreement with Chrysler to provide automotive financing products and services to Chrysler dealers and customers. The agreement provides for incentivized retail financing with limited exclusivity and certain protections designed to minimize our risk of loss. Both GM and Chrysler are bound by repurchase obligations that, under certain circumstances, require them to repurchase new vehicle inventory, such as dealer default.

Our credit risk on the commercial portfolio is markedly different from that of our consumer portfolio. Whereas the consumer portfolio represents a relatively homogeneous pool of retail contracts and leases that exhibits fairly predictable and stable loss patterns, the commercial portfolio exposures can be less predictable. We utilize an internal credit risk rating system that is fundamental to managing credit risk exposure consistently across various types of commercial borrowers and captures many risk factors simultaneously for each borrower. The ratings are used for many areas of credit risk management, such as loan origination, portfolio risk monitoring, management reporting, and loan loss reserves analyses. Therefore, the rating system is critical to an effective credit risk management framework and common credit culture.

During 2009, the credit performance of the commercial portfolio experienced asset-quality deterioration as rising unemployment and reductions in spending persisted. In addition, we have strategically exited funding relationships with certain high-risk automotive dealers and discontinued automotive operations in several countries. Furthermore, the commercial real estate market continues to decline as home prices and construction starts fall and vacancy rates rise.

The following table includes total held-for-investment commercial finance receivables and loans reported at gross carrying value.

	Outstanding		Nonperforming		Accruing past due 90 days or more	
December 31, *($ in millions)*	**2009**	2008	**2009**	2008	**2009**	2008
Domestic						
Commercial and industrial						
Automobile	**$ 19,605**	$ 16,913	**$ 281**	$ 1,448	**$**	$
Mortgage	**1,572**	1,627	**37**	140		
Resort finance	**843**		**783**			
Other (a)	**1,845**	3,257	**73**	64		
Commercial real estate						
Automobile	**2,008**	1,941	**256**	153		
Mortgage	**121**	1,696	**56**	1,070		
Total domestic	**25,994**	25,434	**1,486**	2,875		
Foreign						
Commercial and industrial						
Automobile	**7,942**	10,749	**66**	7		
Mortgage	**96**	195	**35**			
Resort finance						
Other (a)	**437**	960	**131**	19	**3**	
Commercial real estate						
Automobile	**221**	167	**24**	2		
Mortgage	**162**	260	**141**	143		

Total foreign	**8,858**	12,331	**397**	171	**3**	
Total commercial finance receivables and loans	**$ 34,852**	$ 37,765	**$ 1,883**	$ 3,046	**$ 3**	$

(a) Other commercial includes warehouse lending as well as structured finance, asset-based lending, and health capital loans.

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Total commercial finance receivables and loans outstanding decreased $2.9 billion to $34.9 billion at December 31, 2009, compared to 2008. Domestic commercial and industrial outstandings increased due in part to Chrysler dealership on-boarding and the transfer of resort finance to held-for-investment from held-for-sale. Foreign commercial and industrial outstandings declined $3.4 billion from 2008 as a result of dealer exits and continued portfolio runoff. Domestic and foreign commercial real estate outstandings decreased $1.6 billion from 2008 due to certain asset write-downs and reclassifications to held-for-sale and charge-offs related to the overall commercial real estate market decline.

Commercial finance receivables and loans are generally placed on nonaccrual status when delinquent for 90 days or when full collection is not probable. Exceptions include commercial real estate loans which are placed on nonaccrual status when delinquent for 60 days. For information on our accounting policies regarding nonperforming status see Note 1 to the Consolidated Financial Statements.

Total commercial nonperforming loans were $1.9 billion, a decrease of $1.2 billion compared with the prior year primarily due to strategic workout of underperforming dealerships, partially offset by the transfer of the resort finance portfolio to held-for-investment from held-for-sale. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans were 5.4% and 8.1% at December 31, 2009 and 2008, respectively.

The following table includes total held-for-investment commercial net charge-offs and related ratios reported at gross carrying value.

	Net charge-offs		**Net charge-off ratios**	
Year ended December 31, *($ in millions)*	**2009**	2008	**2009**	2008
Domestic				
Commercial and industrial				
Automobile	**$ 69**	$ 15	**0.4%**	0.1%
Mortgage	**71**	124	**3.6**	5.5
Resort finance	**61**		**7.1**	
Other	**31**	20	**1.3**	0.6
Commercial real estate				
Automobile	**7**			
Mortgage	**707**	297	**73.2**	12.1
Total domestic	**946**	456	**3.7**	1.7
Foreign				
Commercial and industrial				
Automobile	**18**	2	**0.2**	
Mortgage				
Resort finance				
Other	**41**	7	**6.1**	0.6
Commercial real estate				
Automobile				
Mortgage	**12**	8	**5.8**	1.7
Total foreign	**71**	17	**0.7**	0.1
Total commercial finance receivables and loans	**$ 1,017**	$ 473	**2.8%**	1.1%

Our net charge-offs of total commercial loans totaled $1.0 billion for the year ended December 31, 2009, compared to $473 million in 2008. The increase in domestic commercial real estate charge-offs was driven largely by write-downs from the reclassification of loans to held-for-sale, as we continue to strategically sell off certain underperforming assets. In addition, home price and construction starts declines continued to weaken the commercial real estate portfolio resulting in increased charge-offs.

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Commercial Real Estate

The commercial real estate portfolio consists of loans issued primarily to developers, homebuilders and commercial real estate firms. Commercial real estate outstanding finance receivables and loans were $2.5 billion for the year ended December 31, 2009, compared to $4.1 billion for 2008.

The following table shows held-for-investment commercial real estate loans reported at gross carrying value by geographic region and property type.

December 31,	**2009**	2008
Geographic region		
Florida	**11.8%**	11.6%
Texas	**11.2**	13.8
California	**9.8**	16.2
Michigan	**8.5**	