

**Written Statement of
Robert S. Hull, GMAC Chief Financial Officer
GMAC Financial Services
Before the Congressional Oversight Panel**

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Introduction:

Good morning Chair Warren and Panel members Atkins, Neiman, Silvers and McWatters.

Thank you for the opportunity to address a few important topics to our company: the impact of the Troubled Asset Relief Program (TARP) investment on GMAC, the manner in which that assistance contributed to the company's financial stability, and our ability to support the automotive sector. I will also address the effects that GMAC's capital restructuring and other recently implemented strategic initiatives are expected to have on our future financial performance.

Impact of TARP Assistance:

The government assistance provided to GMAC was a critical part of stabilizing the company and the U.S. auto industry, and we are clearly grateful for that assistance during the financial crisis.

Our decision to pursue federal assistance in December 2008 was driven by the need to preserve funding for U.S. auto dealers and financing for consumers, during what was an unprecedented capital and credit markets disruption.

As a result of the U.S. Treasury's investment in GMAC, we strengthened our capital ratios and our financial leverage improved to support retail and wholesale financing for U.S. consumers and automotive dealers. The capital contribution also resulted in the following benefits.

- It removed additional risk to General Motors and the auto industry by securing GMAC's ability to fund auto dealers for approximately \$20 - \$30 billion of wholesale loans.
- It supported the needs of consumers by restoring GMAC's ability to finance their purchase and lease of vehicles. Today, we service approximately \$60 billion in consumer automotive accounts in the U.S. for over four million customers.
- It allowed our subsidiary, Residential Capital, LLC (ResCap), to continue servicing approximately three million residential mortgage loans and assisted approximately 500,000 borrowers avoid risk of imminent default

or foreclosure. Today, ResCap is the fifth largest servicer of mortgage loans in the U.S.

Supporting the Automotive Sector:

Auto finance companies, like GMAC, are critical to the auto manufacturers' ability to sell vehicles. Automotive sales are highly dependent on the availability of dealer inventory and financing to consumers. Without credit for consumers and auto dealers, auto manufacturers would not have a reliable dealer distribution network for their vehicles, and the dealer distribution network would not have an effective means of selling those vehicles to consumers. Most consumers simply cannot afford to pay the full vehicle price in cash at the point of sale. Given GMAC's 90-year history as an auto finance company, we are uniquely positioned to provide competitive financing to consumers and auto dealers.

Let me start by addressing our automotive lending in the consumer space.

In the fourth quarter of 2008, due to the lack of stability in the global capital and credit markets, and our need to preserve capital, consumer auto financing activities were restricted. Leasing activities were immediately curtailed, and retail financing was restricted only to consumers with the highest of credit scores.

In late December 2008, immediately after GMAC received regulatory approval to restructure as a bank holding company and following the receipt of the initial TARP investment, we announced that GMAC was able to lift the previous restrictions and offer retail financing for consumers with a credit bureau score of 621 or above, reflecting a much broader spectrum of consumers. As a result, we returned to more normal levels of consumer financing volume, managed portfolio risk during the challenging economic climate, and helped stabilize the U.S. auto industry.

In the fourth quarter of 2009, GMAC's U.S. retail penetration for GM was approximately 30.3 percent, up significantly from 4.7 percent in the fourth quarter of 2008, when the company was forced to restrict its financing activities to preserve capital and liquidity. In addition, GMAC's U.S. retail penetration for Chrysler was 25.5 percent in the fourth quarter of 2009. All combined, this translates into over \$5.9 billion of new retail auto financing for U.S. consumers in the fourth quarter of 2009, compared to only \$836 million in the fourth quarter of 2008. In total for 2009, GMAC provided over \$18 billion in new auto financing to U.S. consumers.

Now, let me turn to our financing of automotive dealers.

In the fourth quarter of 2008, GMAC's ability to cost-effectively finance the inventory of GM dealers was severely constrained. The availability of financing to automotive dealers is significant in the chain of events that support the sale of

vehicles. Auto dealers finance their vehicle inventory through line of credit arrangements with finance companies. Without financing, dealers could not buy cars from manufacturers on a steady-state basis and their vehicle inventory levels would severely diminish. This would adversely impact auto manufacturers' ability to manage production levels and consumers' ability to buy or lease vehicles.

Given the uncertainty and financial instability of GM and Chrysler over the past year, as well as an overall contraction in lending, vehicle inventory financing through traditional banks has not been readily available to GM and Chrysler auto dealers, in particular. GMAC has served in a unique role and worked with both GM and Chrysler to support their respective dealer networks, while still maintaining prudent lending practices.

In April 2009, GMAC became the preferred provider of automotive financing for Chrysler dealers and customers as part of the Obama administration's auto industry restructuring initiative. Because of GMAC's unique position in the auto industry, we were able to prevent disruption during the restructuring and immediately provide interim financing for Chrysler dealers that applied for credit. The company was able to accomplish this as a result of our expertise in the business, our infrastructure, and by minimizing immediate risk through a loss-mitigating arrangement with the government. Subsequently, we expeditiously worked to conduct our formal underwriting process to determine whether those credit relationships could be continued on a longer-term basis, and the vast majority are continuing today.

The federal assistance provided to GMAC was essential in preserving \$20 to \$30 billion of funding to auto dealers, and by extension, retail consumers. Without the assistance, we would have been forced to significantly cut or eliminate lending to auto dealers, which would have had a material downstream impact on thousands of dealerships, GM, Chrysler, their suppliers, others that support the automotive industry, and the overall U.S. economy.

Today, GMAC is focusing on its core strength of providing automotive financing products and services to dealers. As of Dec. 31, 2009, GMAC's U.S. wholesale penetration for GM dealer stock was 90.9 percent, compared to 85.2 percent at year-end 2008.

The company also continued to make significant progress in expanding its financing footprint to Chrysler dealers and customers. As of Dec. 31, 2009, GMAC completed the formal underwriting process for 1,474 U.S. Chrysler dealers previously funded through Chrysler Financial and approved 94 percent of those dealers. As a result, GMAC's U.S. wholesale penetration for Chrysler increased to 77.3 percent on Dec. 31, 2009, up from 67.3 percent on Sept. 30, 2009. GMAC provided approximately \$4 billion of floorplan outstandings for Chrysler dealerships.

Lastly, I want to discuss GMAC's role in the distribution of vehicles for GM.

In addition to GMAC servicing GM dealers and customers, GMAC facilitates GM's production of vehicles by remitting payment on behalf of dealers for vehicles that they acquire before payment is actually due. The U.S. government's investment assisted GMAC in continuing to provide advance payment to GM, which provided the automaker the liquidity to continue to produce vehicles. Since December 2008, we have advanced approximately \$39 billion in "in-transit" payments to GM for vehicles in support of the production, distribution, and sale of GM vehicles to U.S. consumers.

In summary, we recognize our unique ability to help bolster the American auto industry, while also managing the taxpayer risk appropriately. We have weathered the worst of the storm and are aggressively taking the actions needed to serve our customers. We are honored to be the preferred automotive finance provider for GM and Chrysler and look forward to further leveraging our expertise in the automotive finance industry.

Capital Restructuring and Strategic Initiatives:

Now, I will turn to GMAC's capital restructuring and the impact on the company over the longer-term.

Historically, as a private financial services enterprise, GMAC funded itself by accessing the secured and unsecured capital markets and obtaining financing from a large number of domestic and international bank lenders.

With the onset of the mortgage crisis, GMAC's mortgage subsidiary, ResCap, incurred losses that reduced capital levels. In addition, higher oil prices and weaker economic conditions reduced consumer spending and drove used vehicle prices lower. These trends led to poor consumer credit performance and increased strains on the performance of loans. In addition, lower vehicle prices reduced the value of GMAC's auto lease assets. As a result, GMAC's financial performance was impaired, further reducing capital levels.

Lower levels of capital hurt the company's debt rating, which in turn led banks and unsecured lenders to view GMAC as a higher-risk credit. The bank lenders sought to decrease their unsecured lending to GMAC, due both to their perception of increased GMAC risk and their own business issues.

The disruption in the capital markets exacerbated the situation. From mid-2007 through mid-2009, the company was unable to access the unsecured market without government assistance. Further, until early 2010, there was no market access at reasonable rates that would allow GMAC to lend to consumers and dealers without additional losses when our cost of funds exceeded the interest

we could charge. In addition, investor concerns about consumer credit risk, the health of U.S. auto manufacturers, and the health of GMAC itself have served to limit investor interest in GMAC's securitization transactions.

Throughout 2008, GMAC completed a number of unprecedented funding transactions, including restructuring \$46 billion of bank lending commitments, renewing several other large funding commitments, and completing two bond exchanges. In addition, the company undertook significant operational restructuring actions and sold several non-strategic businesses to reduce costs and funding requirements. However, as existing unsecured debt and securitization structures matured and certain other bank lines were not renewed, GMAC's liquidity and capital positions continued to deteriorate.

In 2009, our capital position improved thanks to the substantial investments from the U.S. Treasury beginning in December 2008 and culminating in the \$3.8 billion received in the fourth quarter of 2009. Our liquidity and ongoing profitability are largely dependent on our timely access to funding and the costs associated with raising funds in different segments of the capital markets.

Along with our capital structure, our liquidity profile also materially improved as we were able to generate \$11 billion of net bank deposit growth, issue \$7.4 billion of debt with the Temporary Liquidity Guarantee Program (TLGP) as well as re-enter the securitization market with over \$1.8 billion of new funding in 2009. As a result of the increased liquidity and capital as well as steady performance of our portfolio, our auto finance business returned to profitability in 2009 and had pre-tax earnings of around \$1.7 billion for the year.

In the fourth quarter of 2009, we undertook several strategic actions which we expect to enhance opportunities for GMAC to return to profitability and assist in timely repayment of U.S. Treasury investments. Those actions included steps to strengthen the company's capital position and steps to reduce the ongoing risk of the legacy mortgage portfolio.

The capital actions included:

- A capital infusion of \$3.8 billion from the U.S. Treasury to achieve the capital buffer required under the Federal Reserve's Supervisory Capital Assessment Program needed to meet the worse-than-expected economic scenario.
- Exchange of all the GMAC non-convertible preferred stock held by the U.S. Treasury for \$5.25 billion of newly-issued mandatorily convertible preferred securities (MCP).
- Conversion of \$3.0 billion of existing MCP held by the U.S. Treasury into GMAC common equity, which reduced our fixed charge requirements.

As a result, our capital position today is stronger. GMAC's total capital ratio at the end of 2009 was 15.5 percent which exceeds our peer median and significantly exceeds a "well capitalized" standard of 10 percent.

In addition to the capital actions we undertook in the fourth quarter, we also executed several actions aimed at minimizing further adverse effects on GMAC related to ResCap.

The actions included:

- The write-down and reclassification of certain ResCap, LLC mortgage assets as held-for-sale producing a total charge to GMAC of \$2.0 billion.
- The recording of a repurchase reserve expense of approximately \$575 million associated with the mortgage servicing business.
- GMAC making a capital contribution to ResCap of approximately \$2.7 billion in the form of mortgage loans acquired by GMAC from Ally Bank, GMAC debt forgiveness and cash.

Following these transactions, should the economic environment remain steady, GMAC should not incur further substantial losses from ResCap and will be better positioned to explore strategic alternatives with respect to the mortgage operations.

In conclusion, while GMAC has experienced recent financial difficulty, 2009 was a transformational year for the company and resulted in us making great strides in strengthening our balance sheet and improving our capital and liquidity positions, and we are now focused on profitability and repaying the U.S. Treasury investment in full.