GMAC LLC
Form 10-Q
August 08, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2008, or

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

For the transition period from __________ to __________.

Commission file number: 1-3754

GMAC LLC
(Exact name of registrant as specified in its charter)

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

200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)

(313) 556-5000
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o

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

Large accelerated filer o	Accelerated filer o	Nonaccelerated filer þ	Smaller reporting company o

(Do not check if a smaller reporting company)

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

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

GMAC LLC

CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2008**	**2007**	**2008**	2007
Revenue				
Consumer	**$1,764**	$2,438	**$3,585**	$4,966
Commercial	**611**	754	**1,259**	1,477
Loans held-for-sale	**312**	396	**672**	874
Operating leases	**2,135**	1,728	**4,238**	3,296
Total financing revenue	**4,822**	5,316	**9,754**	10,613
Interest expense	**2,869**	3,735	**6,048**	7,407
Depreciation expense on operating lease assets	**1,401**	1,173	**2,797**	2,255
Impairment of investment in operating leases	**716**		**716**	
Net financing (loss) revenue	**(164)**	408	**193**	951
Other revenue				
Servicing fees	**465**	556	**936**	1,116
Servicing asset valuation and hedge activities, net	**(185)**	(152)	**225**	(454)
Insurance premiums and service revenue earned	**1,123**	1,051	**2,232**	2,092
(Loss) gain on mortgage and automotive loans, net	**(1,099)**	399	**(1,698)**	363
Investment income (loss)	**185**	227	**(45)**	535
Other income	**990**	786	**1,881**	1,651
Total other revenue	**1,479**	2,867	**3,531**	5,303
Total net revenue	**1,315**	3,275	**3,724**	6,254
Provision for credit losses	**771**	430	**1,244**	1,111
Noninterest expense				
Compensation and benefits expense	**591**	647	**1,204**	1,281
Insurance losses and loss adjustment expenses	**714**	563	**1,344**	1,136
Other operating expenses	**1,548**	1,183	**2,811**	2,429
Total noninterest expense	**2,853**	2,393	**5,359**	4,846

(Loss) income before income tax expense	**(2,309)**	452	**(2,879)**	297
Income tax expense	**173**	159	**192**	309
Net (loss) income	**($2,482)**	$293	**($3,071)**	($12)

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

GMAC LLC

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

($ in millions)	**June 30, 2008**	December 31, 2007
Assets		
Cash and cash equivalents	**$14,325**	$17,677
Investment securities	**11,955**	16,740
Loans held-for-sale	**12,942**	20,559
Finance receivables and loans, net of unearned income		
Consumer ($2,658 at fair value at June 30, 2008)	**76,707**	87,769
Commercial	**43,183**	39,745
Allowance for credit losses	**(2,547)**	(2,755)
Total finance receivables and loans, net	**117,343**	124,759
Investment in operating leases, net	**32,810**	32,348
Notes receivable from General Motors	**2,158**	1,868
Mortgage servicing rights	**5,417**	4,703
Premiums and other insurance receivables	**2,232**	2,030
Other assets	**28,510**	28,255
Total assets	**$227,692**	$248,939
Liabilities		
Debt		
Unsecured	**$83,868**	$102,339
Secured ($3,002 at fair value at June 30, 2008)	**89,621**	90,809
Total debt	**173,489**	193,148
Interest payable	**2,243**	2,253
Unearned insurance premiums and service revenue	**4,936**	4,921
Reserves for insurance losses and loss adjustment expenses	**3,105**	3,089
Deposit liabilities	**19,268**	15,281
Accrued expenses and other liabilities	**10,993**	13,432
Deferred income taxes	**1,342**	1,250
Total liabilities	**215,376**	233,374
Equity		
Members interest	**8,919**	8,912
Preferred interests	**1,052**	1,052
Retained earnings	**1,402**	4,649

Accumulated other comprehensive income	**943**	952
Total equity	**12,316**	15,565
Total liabilities and equity	**$227,692**	$248,939

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)
Six Months Ended June 30, 2008 and 2007

($ in millions)	Members interest	Preferred interests	Retained earnings	Accumulated other comprehensive income	Total equity	Comprehensive income (loss)
Balance at January 1, 2007	$6,711		$7,173	$485	$14,369	
Net loss			(12)		(12)	($12)
Preferred interests dividends			(104)		(104)	
Capital contributions	1,033				1,033	
Other comprehensive income				301	301	301
Balance at June 30, 2007	$7,744		$7,057	$786	$15,587	$289
Balance at January 1, 2008, before cumulative effect of adjustments	**$8,912**	**$1,052**	**$4,649**	**$952**	**$15,565**	
Cumulative effect of a change in accounting principle, net of tax:						
Adoption of Statement of Financial Accounting Standards No. 157 (a)			**23**		**23**	
Adoption of Statement of Financial Accounting Standards No. 159 (a)			**(178)**		**(178)**	
Balance at January 1, 2008, after cumulative effect of adjustments	**8,912**	**1,052**	**4,494**	**952**	**15,410**	
Capital contributions	**7**				**7**	
Net loss			**(3,071)**		**(3,071)**	**($3,071)**
Dividends paid to members			**(27)**		**(27)**	
Other			**6**		**6**	
Other comprehensive loss				**(9)**	**(9)**	**(9)**
Balance at June 30, 2008	**$8,919**	**$1,052**	**$1,402**	**$943**	**$12,316**	**($3,080)**

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

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
Six Months Ended June 30, 2008 and 2007

($ in millions)	**2008**	2007
Operating activities		
Net cash provided by operating activities	**$10,309**	$6,422
Investing activities		
Purchases of available-for-sale securities	**(9,665)**	(8,892)
Proceeds from sales of available-for-sale securities	**11,282**	3,563
Proceeds from maturities of available-for-sale securities	**2,470**	3,511
Net increase in finance receivables and loans	**(3,427)**	(47,973)
Proceeds from sales of finance receivables and loans	**655**	55,742
Purchases of operating lease assets	**(7,867)**	(11,579)
Disposals of operating lease assets	**3,483**	5,307
Sales of mortgage servicing rights	**174**	
Net increase in notes receivable from General Motors	**(277)**	(121)
Acquisitions of subsidiaries, net of cash acquired		(287)
Other, net	**12**	2,358
Net cash (used in) provided by investing activities	**(3,160)**	1,629
Financing activities		
Net decrease in short-term debt	**(10,222)**	(3,565)
Net increase (decrease) in bank deposits	**3,583**	(237)
Proceeds from issuance of long-term debt	**20,740**	33,531
Repayments of long-term debt	**(24,913)**	(43,029)
Dividends paid	**(62)**	(74)
Other, net (a)	**389**	2,134
Net cash used in financing activities	**(10,485)**	(11,240)
Effect of exchange rate changes on cash and cash equivalents	**(16)**	(47)
Net decrease in cash and cash equivalents	**(3,352)**	(3,236)
Cash and cash equivalents at beginning of year	**17,677**	15,459
Cash and cash equivalents at June 30,	**$14,325**	$12,223

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of Presentation

GMAC LLC was founded in 1919 as a wholly owned subsidiary of General Motors Corporation (General Motors or GM). On November 30, 2006, GM sold a 51% interest in us (the Sale Transactions) to FIM Holdings LLC (FIM Holdings). FIM Holdings is an investment consortium led by Cerberus FIM Investors, LLC, the sole managing member. The consortium also includes Citigroup Inc., Aozora Bank Ltd., and a subsidiary of The PNC Financial Services Group, Inc. The terms GMAC, the Company, we, our, and us refer to GMAC LLC and its subsidiaries consolidated entity, except where it is clear that the terms mean only GMAC LLC.

The Condensed Consolidated Financial Statements as of June 30, 2008, and for the three and six months ended June 30, 2008 and 2007, are unaudited but, in management s opinion, include all adjustments consisting of normal recurring adjustments necessary for a fair presentation of the results for the interim periods.

The interim-period consolidated financial statements, including the related notes, are condensed and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim reporting. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These interim-period Condensed Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the United States Securities and Exchange Commission (SEC) on February 27, 2008.

Residential Capital, LLC (ResCap), our mortgage subsidiary, actively manages its liquidity and capital position and has developed plans to address its liquidity needs, including debt maturing in the next twelve months, and other identified risks and uncertainties. During the three months ended June 30, 2008, and prior to the filing of this Form 10-Q, ResCap completed several transactions, including the establishment of debt facilities and asset sales with GMAC and other affiliates that support ResCap s plans to meet its cash and liquidity requirements.

Although ResCap will continue to explore opportunities for funding and/or capital support from GMAC and other affiliates, there can be no assurances that we will undertake any such actions. Accordingly, ResCap s plans include, but are not limited to, the following: continue to work proactively and maintain an active dialogue with all of ResCap s key credit providers to optimize all available liquidity options; potential pursuit of strategic alternatives that will improve ResCap s liquidity including continued strategic reduction of assets and other dispositions; focused production on prime conforming products that currently provide more liquidity options; and explore potential alliances and joint ventures with third parties involving portions of ResCap s business. As ResCap actively manages its liquidity, asset liquidation initiatives may include, among other things, sale of retained interest in ResCap s mortgage securitizations, marketing of loans secured by time-share receivables, marketing of ResCap s United Kingdom and continental Europe mortgage loan portfolios, and whole loan sales.

While successful execution cannot be assured, management believes the plans are sufficient to meet ResCap s liquidity requirements over the next twelve months. If unanticipated market factors emerge and/or ResCap is unable to successfully execute its plans referenced above, it would have a material adverse effect on our business, results of operations, and financial position.

Recently Adopted Accounting Standards

SFAS No. 157 On January 1, 2008, we adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 provides a definition of fair value, establishes a framework for measuring fair value under GAAP, and requires expanded disclosures about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value; therefore, it does not expand the use of fair value in any new circumstance. We adopted SFAS 157 on a prospective basis.

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NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

SFAS 157 required retrospective adoption of the rescission of Emerging Issues Task Force issue No. 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* (EITF 02-3), and certain other guidance. The impact of adopting SFAS 157 and the rescission of EITF 02-3 on January 1, 2008, was an increase to beginning retained earnings through a cumulative effect of a change in accounting principle of approximately $23 million, related to the recognition of day-one gains on purchased mortgage servicing rights (MSRs) and certain residential loan commitments. Refer to Note 13 to the Condensed Consolidated Financial Statements for further detail.

SFAS No. 158 In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158), which amends SFAS No. 87, *Employers Accounting for Pensions;* SFAS No. 88, *Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits;* SFAS No. 106, *Employers Accounting for Postretirement Benefits Other Than Pensions;* and SFAS No. 132(R), *Employers Disclosures about Pensions and Other Postretirement Benefits* (revised 2003). This Statement requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements. The asset or liability is the offset to accumulated other comprehensive income, consisting of previously unrecognized prior service costs and credits, actuarial gains or losses, and accumulated transition obligations and assets. SFAS 158 also requires the measurement date for plan assets and liabilities to coincide with the sponsor s year-end. The standard provides two transition alternatives for companies to make the measurement-date provisions. During the year ended December 31, 2007, we adopted the recognition and disclosure elements of SFAS 158, which did not have a material effect on our consolidated financial position, results of operations, or cash flows. In addition, we will adopt the measurement elements of SFAS 158 for the year ending December 31, 2008. We do not expect the adoption of the measurement elements to have a material impact on our consolidated financial condition or results of operations.

SFAS No. 159 On January 1, 2008, we adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure at fair value many financial instruments and certain other items that are not currently required to be measured at fair value. Subsequent changes in fair value for designated items are required to be reported in earnings in the current period. SFAS 159 also establishes presentation and disclosure requirements for similar types of assets and liabilities measured at fair value. We elected to measure at fair value certain financial assets and liabilities, including certain collateralized debt obligations and certain mortgage loans held-for-investment in financing securitization structures. The cumulative effect to beginning retained earnings was a decrease through a cumulative effect of a change in accounting principle of approximately $178 million on January 1, 2008. Refer to Note 13 to the Condensed Consolidated Financial Statements for further detail.

FASB Staff Position (FSP) FIN 39-1 On January 1, 2008, we adopted FSP FIN 39-1, *Amendment of FAS Interpretation No. 39*. FSP FIN 39-1 defines right of setoff and specifies what conditions must be met for a derivative contract to qualify for this right of setoff. It also addresses the applicability of a right of setoff to derivative instruments and clarifies the circumstances in which it is appropriate to offset amounts recognized for those instruments in the statement of financial position. In addition, this FSP requires an entity to make an election related to the offsetting of fair value amounts recognized for multiple derivative instruments executed with the same counterparty under a master netting arrangement and fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from the same master netting arrangement as the derivative instruments without regard to the company s intent to settle the transactions on a net basis. We have elected to present these items gross. Therefore, upon adoption of FSP FIN 39-1, we increased December 31, 2007, other assets and other liabilities equally by approximately $1.2 billion.

SEC Staff Accounting Bulletin No. 109 On January 1, 2008, we adopted Staff Accounting Bulletin No. 109, *Written Loan Commitments Recorded at Fair Value Through Earnings* (SAB 109). SAB 109

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

provides the SEC staff s views on the accounting for written loan commitments recorded at fair value under GAAP and revises and rescinds portions of SAB 105, *Application of Accounting Principles to Loan Commitments* (SAB 105). SAB 105 provided the views of the SEC staff regarding derivative loan commitments that are accounted for at fair value through earnings pursuant to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). SAB 105 states that in measuring the fair value of a derivative loan commitment, the staff believed it would be inappropriate to incorporate the expected net future cash flows related to the associated servicing of the loan. SAB 109 supersedes SAB 105 and expresses the current view of the SEC staff that, consistent with the guidance in SFAS No. 156, *Accounting for Servicing of Financial Assets,* and SFAS 159, the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. SAB 105 also indicated that the SEC staff believed that internally developed intangible assets (such as customer relationship intangible assets) should not be recorded as part of the fair value of a derivative loan commitment. SAB 109 retains that SEC staff view and broadens its application to all written loan commitments that are accounted for at fair value through earnings. The impact of adopting SAB 109 did not have a material impact on our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

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

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

SFAS No. 161 In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 requires specific disclosures regarding the location and amounts of derivative instruments in the financial statements; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect the financial position, financial performance, and cash flows. SFAS 161 will be effective for GMAC on January 1, 2009. Early adoption is permitted. Because

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

SFAS No. 162 In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 identifies a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities (the Hierarchy). The Hierarchy within

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

SFAS 162 is consistent with that previously defined in the AICPA Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* (SAS 69). SFAS 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The adoption of SFAS 162 will not have a material effect on our consolidated financial statements because we have utilized the guidance within SAS 69.

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

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

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

2. Other Income

Details of other income were as follows:

($ in millions)	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Gain on retirement of debt	**$616**	$	**$1,104**	$
Real estate services	**19**	138	**(9)**	269
Interest and service fees on transactions with GM (a)	**61**	85	**123**	159
Interest on cash equivalents	**61**	91	**127**	209
Other interest revenue	**201**	157	**281**	297
Full-service leasing fees	**107**	80	**205**	155
Late charges and other administrative fees	**41**	43	**85**	87
Mortgage processing fees and other mortgage (loss) income	**(258)**	29	**(252)**	62
Interest on restricted cash deposits	**48**	43	**76**	86
Real estate and other investments	**(1)**	20	**(38)**	60
Insurance service fees	**35**	36	**77**	78
Factoring commissions	**12**	14	**24**	27
Specialty lending fees	**9**	10	**22**	21
Fair value adjustment on certain derivatives (b)	**52**	18	**97**	35
Changes in fair value for SFAS 159 elections, net (c)	**(74)**		**(128)**	
Other	**61**	22	**87**	106
Total other income	**$990**	$786	**$1,881**	$1,651

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

3. Other Operating Expenses

Details of other operating expenses were as follows:

	Three months ended	Six months ended

($ in millions)	June 30, 2008	2007	June 30, 2008	2007
Insurance commissions	**$234**	$225	**$471**	$465
Technology and communications expense	**159**	156	**312**	301
Professional services	**221**	106	**330**	199
Advertising and marketing	**56**	83	**109**	153
Mortgage representation and warranty expense	**80**	49	**101**	203
Premises and equipment depreciation	**46**	48	**94**	100
Rent and storage	**52**	60	**103**	114
Full-service leasing vehicle maintenance costs	**96**	68	**185**	137
Lease and loan administration	**34**	53	**79**	106
Automotive remarketing and repossession	**84**	49	**156**	93
Restructuring expenses	**50**		**84**	
Operating lease disposal loss (gain)	**87**	(18)	**124**	(6)
Other	**349**	304	**663**	564
Total other operating expenses	**$1,548**	$1,183	**$2,811**	$2,429

GMAC LLC

**NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

4. Impairment of Investment in Operating Leases

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

In light of the prevailing market conditions, particularly rising domestic fuel prices and weakness in the economy in the United States and Canada and the associated adverse impact to used vehicle values, we concluded a triggering event had occurred during the quarter, requiring an evaluation of certain of our North American Automotive Finance operations operating lease assets for recoverability as of June 30, 2008. We grouped our operating lease assets at the lowest level that we could reasonably estimate the identifiable cash flows. In assessing for recoverability, we compared our estimates of future cash flows related to our lease assets to their corresponding carrying values. We considered all of the expected cash flows, including customer payments, the expected residual value upon remarketing the vehicle at lease termination, and any payments from GM under residual risk sharing agreements. To the extent these undiscounted cash flows were less than their respective carrying values, we discounted the cash flows to arrive at an estimated fair value. As a result of this evaluation, we concluded that $3.6 billion of our North American Automotive Finance operations total $30.4 billion net investment in operating leases was impaired by a total of $716 million. We therefore reduced our carrying value to equal the estimated fair value and recorded an impairment charge in the three months ended June 30, 2008, for this amount.

While we believe our estimates of discounted future cash flows used for the impairment analysis were reasonable based on current market conditions, the process required the use of significant estimates and assumptions. In developing these estimates and assumptions, management used all available evidence. However, because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes, actual cash flow could ultimately differ from those estimated as part of the recoverability and impairment analyses.

GMAC LLC

**NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

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

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

	June 30, 2008			December 31, 2007		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer						
Retail automotive	**$18,475**	**$27,183**	**$45,658**	$20,030	$25,576	$45,606
Residential mortgages (a)	**25,190**	**5,859**	**31,049**	34,839	7,324	42,163
Total consumer	**43,665**	**33,042**	**76,707**	54,869	32,900	87,769
Commercial						
Automotive:						
Wholesale	**17,256**	**10,149**	**27,405**	14,689	8,272	22,961
Leasing and lease financing	**299**	**890**	**1,189**	296	930	1,226
Term loans to dealers and other	**2,586**	**862**	**3,448**	2,478	857	3,335
Commercial and industrial	**6,018**	**2,020**	**8,038**	6,431	2,313	8,744
Real estate construction and other	**2,607**	**496**	**3,103**	2,943	536	3,479
Total commercial	**28,766**	**14,417**	**43,183**	26,837	12,908	39,745
Total finance receivables and loans (b)	**$72,431**	**$47,459**	**$119,890**	$81,706	$45,808	$127,514

(a) Domestic residential mortgages include $2,658 million at fair value as a result of election made under SFAS 159. Refer to Note 13 for additional information.
(b) Net of unearned income of $4.0 billion as of June 30, 2008, and December 31, 2007, respectively.

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

($ in millions)	**June 30, 2008**	December 31, 2007

Consumer		
Retail automotive	**$5,343**	$8,400
Residential mortgages	**7,036**	12,078
Total consumer	**12,379**	20,478
Commercial		
Automotive		
Wholesale	**142**	81
Commercial and industrial	**421**	
Total commercial	**563**	81
Total loans held-for-sale	**$12,942**	$20,559

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GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

	Three months ended June 30,					
	2008			2007		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Allowance at April 1,	**$1,760**	**$532**	**$2,292**	$3,070	$663	$3,733
Provision for credit losses	**629**	**142**	**771**	384	46	430
Charge-offs						
Domestic	**(513)**	**(51)**	**(564)**	(417)	(303)	(720)
Foreign	**(43)**	**1**	**(42)**	(46)	(5)	(51)
Total charge-offs	**(556)**	**(50)**	**(606)**	(463)	(308)	(771)
Recoveries						
Domestic	**54**	**3**	**57**	53		