GMAC LLC
Form 10-Q
November 07, 2007

Table of Contents

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

FORM 10-Q

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

For the quarterly period ended September 30, 2007, or

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

For the transition period from __________ to __________.

Commission file number: 1-3754

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

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

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

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

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

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

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

GMAC LLC

INDEX

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

GMAC LLC

CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

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

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

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

Table of Contents

GMAC LLC

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

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

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

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

Table of Contents

GMAC LLC

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

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

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

5

Table of Contents

GMAC LLC

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

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

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

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

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

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

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

Table of Contents

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of Presentation

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

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

The interim-period consolidated financial statements, including the related notes, are condensed and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim reporting. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These interim-period Condensed Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2006, filed with the United States Securities and Exchange Commission (SEC) on March 13, 2007.

Restatement of Previously Issued Condensed Consolidated Financial Statements

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

Share-Based Compensation Plans

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

The LTIP is an incentive plan for executives based on the appreciation of GMAC s value in excess of a preferred return of 10% to certain of our investors during a three-year performance period. The awards vest at the end of the performance period and are paid in cash following a valuation of GMAC performed by FIM Holdings. The awards do not entitle the participant to an equity-ownership interest in GMAC. The plan authorizes 500 units to be granted for the performance period ending December 31, 2009, of which approximately 390 units were granted and outstanding at September 30, 2007. The LTIP awards are accounted for under SFAS No. 123(R), *Share-Based Payment* (SFAS 123(R)), as they meet the definition of share-based compensation awards. Under SFAS 123(R), the awards require liability treatment and are remeasured quarterly

GMAC LLC

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

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

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

Change in Accounting Principle

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

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

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

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

GMAC LLC

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

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

Recently Issued Accounting Standards

SFAS No. 157 In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), which provides a definition of fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value, and therefore, does not expand the use of fair value in any new circumstance. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an arm s length transaction between market participants in the markets where we conduct business. SFAS 157 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets and the lowest priority to data lacking transparency. The level of the reliability of inputs utilized for fair value calculations drives the extent of disclosure requirements of the valuation methodologies used under the standard. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The provisions of SFAS 157 should be applied prospectively, except for certain financial instruments for which the standard should be applied retrospectively. Management is assessing the potential impact on our consolidated financial condition and results of operations.

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

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

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

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

GMAC LLC

NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

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

2. Restatement of Previously Issued Condensed Consolidated Financial Statements

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

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

Table of Contents

GMAC LLC

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

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

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

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

Table of Contents

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

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

12

Table of Contents

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

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

GMAC LLC

NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

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

GMAC LLC

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

3. Other Income

Details of other income were as follows:

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

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

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

4. Other Operating Expenses

Details of other operating expenses were as follows:

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

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

Table of Contents

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

5. Finance Receivables and Loans

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

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

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

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

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

Table of Contents

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

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

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

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

GMAC LLC

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

6. Mortgage Servicing Rights

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

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

As of September 30, 2007, we pledged MSRs of $2.7 billion as collateral for borrowings, compared to $2.4 billion as of December 31, 2006. For a description of MSRs and the related hedging strategy, refer to Notes 9 and 15 to our 2006 Annual Report on Form 10-K.

Changes in fair value, due to changes in valuation inputs or assumptions used in the valuation models, include all changes due to a revaluation by a model or by a benchmarking exercise. This line item also includes changes in fair value resulting from a change in valuation assumptions or model calculations or both. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic run-off of the portfolio, as well as foreign currency adjustments and the extinguishment of MSRs related to clean-up calls of securitization transactions.

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

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

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments, which could reduce the value of the MSRs. We economically hedge the income statement impact of these risks with both derivative and nonderivative financial instruments. These instruments include interest rate swaps, caps and floors, options to purchase these items, futures, and forward contracts or purchasing or selling U.S. Treasury and principal-only securities. The interest income, mark-to-market adjustments, and gain or loss from sale activities associated with these instruments are expected to economically hedge a portion of the change in value of the MSR portfolio caused by fluctuating discount rates, earnings rates, and prepayment speeds. At September 30, 2007, the fair value of derivative financial instruments and nonderivative financial instruments used to mitigate these risks amounted to $534 million and $839 million, respectively. The change in fair value of the derivative financial instruments amounted to a loss of $58 million and $218 million for the nine months ended September 30, 2007 and 2006, respectively, and is included in servicing asset valuation and hedge activities, net in the Condensed Consolidated Statement of Income.

GMAC LLC

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

The components of servicing fees were as follows:

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

7. Debt

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

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

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

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

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

GMAC LLC

NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

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

Liquidity Facilities

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

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

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

Table of Contents

GMAC LLC

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

8. Derivative Instruments and Hedging Activities

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

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

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

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

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

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

GMAC LLC

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

9. Related Party Transactions

Balance Sheet

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

($ in millions)	**September 30, 2007**	December 31, 2006
Assets:		
Available for sale investment in asset-backed security (a)	**$373**	$471
Finance receivables and loans, net of unearned income		
Wholesale auto financing (b)	**760**	938
Term loans to dealers (b)	**218**	207
Lending receivables (c)	**149**	
Investment in operating leases, net (d)	**321**	290
Notes receivable from GM (e)	**2,112**	1,975
Other assets		
Receivable related to taxes due from GM (f)		317
Subvention receivables (rate and residual support)	**431**	
Lease pull ahead receivable	**69**	
Other	**37**	50
Liabilities:		
Unsecured debt		
Notes payable to GM	**525**	60
Other	**3**	
Accrued expenses and other liabilities		
Wholesale payable	**1,083**	499
Subvention receivables (rate and residual support)		(309)
Lease pull ahead receivable		(62)
Other receivables (payables)	**58**	(100)
Preferred interests	**2,226**	2,195
Equity:		
Dividends to members (g)		9,739
Capital contributions received (h)	**1,035**	951
Preferred interest accretion to redemption value and dividends	**158**	295

(a) In November 2006, GMAC retained an investment in a note secured by operating lease assets transferred to GM. As part of the transfer, GMAC provided a note to a trust, a wholly owned subsidiary of GM. The note is classified in Investment securities on our Condensed Consolidated Balance Sheet.

(b) Represents wholesale financing and term loans to certain dealerships wholly owned by GM or in which GM has an interest.

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

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

(e) 2006 amounts include borrowing arrangements related to our funding of GM company-owned vehicles, rental car vehicles awaiting sale at auction, our funding of the sale of GM vehicles through the use of overseas distributors, and amounts related to the GM trade supplier finance program. During 2007 and 2006 we have also provided wholesale financing to GM for vehicles, parts, and accessories in which GM retains title while consigned to us or dealers in the UK, Italy, and Germany. The financing to GM remains outstanding until the title is transferred to the dealers. The amount of financing provided to GM under this arrangement varies based on inventory levels. Also included in the 2007 balance is the note receivable from GM referenced in (f) below.

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

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

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

Table of Contents

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Income Statement

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

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

(a) Represents total amount of residual support and risk sharing earned under the residual support and risk sharing programs and earned revenue previously deferred related to the settlement of residual support and risk sharing obligations in 2006 for a portion of the lease portfolio.

(b) GM sponsors lease pull-ahead programs whereby consumers are encouraged to terminate lease contracts early in conjunction with the acquisition of a new GM vehicle, with the customer s remaining payment obligation waived. For certain programs, GM compensates us for the waived payments, adjusted based on the remarketing results associated with the underlying vehicle.

(c)

The settlement terms related to the wholesale financing of certain GM products are at shipment date. To the extent that wholesale settlements with GM are made before the expiration of transit, we receive interest from GM.

(d) Represents income related to derivative transactions that we enter into with GM as counterparty.

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

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

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

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

Retail and Lease Programs

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

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

In addition, with regard to U.S. lease originations and all U.S. balloon retail contract originations occurring after April 30, 2006, that remained with us after the consummation of the Sale Transactions. GM agreed to begin payment of the present value of the expected residual support owed to us at the time of contract origination as opposed to after contract termination at the time of sale of the related vehicle. The residual support amount GM actually owes us is finalized as the leases actually terminate. Under the terms of the residual support program, in cases where the estimate was incorrect, GM may be obligated to pay us, or we may be obligated to reimburse GM. For the affected contracts originated during the three months and nine months ended September 30, 2007, GM paid or agreed to pay us a total of $330 million and $937 million in 2007, respectively.

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

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

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

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

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

GMAC LLC

NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Other

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

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

10. Goodwill

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

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

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

Table of Contents

GMAC LLC

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

11. Segment Information

Financial results for our reporting segments are summarized below.

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

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

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

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

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

Table of Contents

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

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

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

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

12. Subsequent Events

ResCap Restructuring Plan

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