

GMAC LLC
Form 10-Q
May 08, 2008

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

FORM 10-Q

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

For the quarterly period ended March 31, 2008, or

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

For the transition period from _____ to _____.

Commission file number: 1-3754

GMAC LLC

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

38-0572512

*(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 No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements (unaudited)****GMAC LLC****CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)**

<i>(\$ in millions)</i>	Three months ended March 31,	
	2008	2007
Revenue		
Consumer	\$1,821	\$2,528
Commercial	648	723
Loans held for sale	360	479
Operating leases	2,103	1,568
Total financing revenue	4,932	5,298
Interest expense	3,179	3,673
Depreciation expense on operating lease assets	1,397	1,081
Net financing revenue	356	544
Other revenue		
Servicing fees	470	559
Servicing asset valuation and hedge activities, net	410	(302)
Insurance premiums and service revenue earned	1,109	1,041
Loss on mortgage and automotive loans, net	(600)	(37)
Investment (loss) income	(232)	309
Other income	897	866
Total other revenue	2,054	2,436
Total net revenue	2,410	2,980
Provision for credit losses	474	681
Noninterest expense		
Compensation and benefits expense	614	635
Insurance losses and loss adjustment expenses	630	573
Other operating expenses	1,263	1,246
Total noninterest expense	2,507	2,454
Loss before income tax expense	(571)	(155)
Income tax expense	18	150

Net loss	(\$589)	(\$305)
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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)**

<i>(\$ in millions)</i>	March 31, 2008	December 31, 2007
Assets		
Cash and cash equivalents	\$14,836	\$17,677
Investment securities	14,639	16,740
Loans held for sale	21,446	20,559
Finance receivables and loans, net of unearned income		
Consumer (\$3,915 at fair value at March 31, 2008)	80,493	87,769
Commercial	41,232	39,745
Allowance for credit losses	(2,292)	(2,755)
Total finance receivables and loans, net	119,433	124,759
Investment in operating leases, net	33,122	32,348
Notes receivable from General Motors	1,927	1,868
Mortgage servicing rights	4,278	4,703
Premiums and other insurance receivables	2,227	2,030
Other assets	31,446	28,255
Total assets	\$243,354	\$248,939
Liabilities		
Debt		
Unsecured	\$99,824	\$102,339
Secured (\$4,299 at fair value at March 31, 2008)	85,470	90,809
Total debt	185,294	193,148
Interest payable	2,356	2,253
Unearned insurance premiums and service revenue	4,953	4,921
Reserves for insurance losses and loss adjustment expenses	3,096	3,089
Deposit liabilities	17,961	15,281
Accrued expenses and other liabilities	14,078	13,432
Deferred income taxes	852	1,250
Total liabilities	228,590	233,374
Equity		
Members' interest	8,915	8,912
Preferred interests	1,052	1,052
Retained earnings	3,880	4,649
Accumulated other comprehensive income	917	952

Total equity	14,764	15,565
Total liabilities and equity	\$243,354	\$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)
Three Months Ended March 31, 2008 and 2007

<i>(\$ in millions)</i>	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			(305)		(305)	(\$305)
Preferred interests dividends			(52)		(52)	
Capital contributions	1,034				1,034	
Other comprehensive income				20	20	20
Balance at March 31, 2007	\$7,745		\$6,816	\$505	\$15,066	(\$285)
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	3				3	
Net loss			(589)		(589)	(\$589)
Preferred interests dividends			(26)		(26)	
Dividends paid to members			(1)		(1)	
Other			2		2	
Other comprehensive loss				(35)	(35)	(35)

Balance at						
March 31, 2008	\$8,915	\$1,052	\$3,880	\$917	\$14,764	(\$624)

(a) Refer to Note 10 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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Three Months Ended March 31, 2008 and 2007**

<i>(\$ in millions)</i>	2008	2007
Operating activities		
Net cash provided by operating activities	\$1,061	\$4,872
Investing activities		
Purchases of available-for-sale securities	(6,462)	(11,960)
Proceeds from sales of available-for-sale securities	6,647	2,343
Proceeds from maturities of available-for-sale securities	1,294	9,976
Net (increase) decrease in finance receivables and loans	(1,477)	580
Proceeds from sales of finance receivables and loans	591	5,147
Purchases of operating lease assets	(4,583)	(4,621)
Disposals of operating lease assets	1,957	1,861
Sales of mortgage servicing rights	174	
Net increase in notes receivable from General Motors	(44)	(252)
Other, net	(924)	(984)
Net cash (used in) provided by investing activities	(2,827)	2,090
Financing activities		
Net decrease in short-term debt	(3,613)	(797)
Net increase (decrease) in bank deposits	2,419	(805)
Proceeds from issuance of long-term debt	11,621	13,678
Repayments of long-term debt	(11,573)	(26,478)
Dividends paid	(35)	(21)
Other, net (a)	220	1,641
Net cash used in financing activities	(961)	(12,782)
Effect of exchange rate changes on cash and cash equivalents	(114)	18
Net decrease in cash and cash equivalents	(2,841)	(5,802)
Cash and cash equivalents at beginning of year	17,677	15,459
Cash and cash equivalents at March 31, (a)	\$14,836	\$9,657

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Includes \$1 billion capital contribution from General Motors during the three months ended March 31, 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 and consolidated entity, except where it is clear that the terms mean only GMAC LLC.

The Condensed Consolidated Financial Statements as of March 31, 2008, and for the three months ended March 31, 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 2008 and other identified risks and uncertainties. These plans include, but are not limited to the following: continue to work proactively and maintain an active dialog with all of ResCap's key credit providers to optimize all available liquidity options including negotiating credit terms, refinancing term loans and other secured facilities; potential pursuit of strategic alternatives that will improve ResCap's liquidity such as continued strategic reduction of assets and other dispositions, focused production on prime conforming products which currently provide more liquidity options, explore potential alliances and joint ventures with third-parties involving portions of ResCap's business; potential utilization of available committed unsecured lines of credit; certain asset liquidations; and explore opportunities for GMAC to provide funding or capital support to ResCap (there can be no assurances, however, that GMAC will undertake any such actions). 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 among other initiatives.

With respect to these plans, we are currently in negotiations with ResCap to provide it with a new 2-year \$3.5 billion senior secured credit facility, which is conditioned on successfully completing the debt tender and exchange offer for ResCap's outstanding unsecured notes. However, there can be no assurances that we will undertake any such actions. Additionally, ResCap is seeking amendments to substantially all of its secured bilateral facilities that would extend the maturities of such facilities or modify the tangible net worth covenant contained in such facilities. For further details with respect to the foregoing plans, refer to Note 13 Subsequent Events.

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