



## GMAC Financial Services 3Q loss narrows

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NEW YORK — GMAC, the main lender for GM and Chrysler customers and dealers, reported another quarterly loss Wednesday as bad loans continued to haunt its mortgage lending unit.

Although its third-quarter loss narrowed from a year ago and its auto lending division made money, the results indicate the GMAC still has work to do at its mortgage unit. The unit, ResCap, was a major player in the sub-prime mortgage business and is still suffering from the bad loans it made during the housing boom.

**"Until they remedy the ResCap area, stop the bleeding there, they are going to have challenges," said Steve Hagenbuckle, managing principal at TerraCap Partners, a private-equity fund specializing in distressed real estate.**

GMAC Financial Services said its net loss was \$767 million during the third quarter versus a loss of \$2.52 billion in the same quarter last year.

Results were hurt by several one-time items and by a handful of business lines that it is discontinuing. Excluding these items, the company lost \$77 million.

The earnings report comes a week after the Treasury Department said it was in talks with the New York-based lender to give it a third round of taxpayer aid. A Treasury spokeswoman declined to provide updates on the talks Wednesday.

A GMAC spokeswoman said the company continues to work with the government regarding its capital requirements, but declined further comment.

The government, which owns a 35 percent stake in the company, required earlier this year that GMAC raise an additional \$11.5 billion by early November after undergoing a "stress test" with 18 other banks. While other banks deemed undercapitalized have been able to raise funds from private investors, GMAC has been forced to go back to the government.

The government has a strong interest in seeing GMAC succeed, given its critical importance to GM and Chrysler. It has poured more than \$60 billion in taxpayer money into both automakers. It now owns a majority stake in GM and a smaller stake in Chrysler after steering the companies through bankruptcy protection earlier this year.

ResCap lost \$747 million during the third quarter, down from \$1.95 billion last year.

ResCap has racked up billions in losses in recent years amid the collapse of the housing market, as it lent to risky borrowers during the boom and paid the price as those borrowers later defaulted. Some analysts have speculated that GMAC would have to shut down ResCap altogether.

A bright spot in the latest report was the company's auto-financing unit, which earned \$395 million compared with a year-ago loss of \$379 million.

Earlier this year, GMAC became the preferred lender for Chrysler. The Treasury Department recently informed Chrysler's former lender, Chrysler Financial, that it would have to shut down by the end of 2011.

GMAC also runs an online banking unit called Ally Bank, which offers comparatively high interest rates and has attracted a large number of new depositors recently. Deposits rose by \$2.3 billion during the quarter, GMAC said.

GMAC has already obtained \$12.5 billion in loans from the U.S. government. Late last year, GMAC became a bank holding company, which enabled it to receive loans from the government's Troubled Asset Relief Program.