



## CONGRESSIONAL OVERSIGHT PANEL

[Home](#)
[About  
Us](#)
[Reports](#)
[Press](#)
[Hearings &  
Testimony](#)
[Learn  
More](#)
[Blog](#)
[Contact  
Us](#)
[Home](#) > [Press](#) > Congressional Oversight Panel Reports on the Unique Treatment of GMAC Under TARP



# Congressional Oversight Panel Reports on the Unique Treatment of GMAC Under TARP

March 11, 2010

For Immediate Release

## Treasury's Decisions on GMAC at the Height of the Crisis Severely Constrained its Options

**WASHINGTON, D.C.** - The Congressional Oversight Panel today released its March oversight report, "The Unique Treatment of GMAC Under TARP." The Panel found that the government's early decisions to rescue GMAC instead of pursuing other options as part of a broader bailout of the domestic automotive industry resulted in missed opportunities to increase accountability and better protect taxpayers' money.

GMAC Inc. (GMAC) began as the in-house credit arm of General Motors (GM) to provide credit for car dealers to purchase inventory—known as "floorplan financing" - and for individual borrowers to buy their own cars. Over the decades, it expanded to provide home mortgages and other financial services products. In 2006, GM spun the credit arm off into an independent company, which today ranks as the fourteenth largest bank holding company in the United States. Treasury has stated that support to GMAC was necessary because of GMAC's dominant role in floorplan financing, and that refusal to support GMAC would have undermined the government's investments in the automotive companies.

**The Panel found Treasury and the Federal Reserve made critical decisions during the height of the financial crisis that severely constrained their options for addressing GMAC's uncertain future.** In an unusual divided vote, the Federal Reserve approved GMAC's conversion to a bank holding company. When as a result of this decision GMAC was included in the government-run stress tests a few months later, Treasury committed itself to a full bailout strategy: taxpayers would provide any necessary new capital identified by the stress tests that GMAC couldn't raise in the private markets. If GMAC had not been included in the stress tests, Treasury might have had options other than committing new public capital, such as orchestrating a bankruptcy or isolating the auto financing business, which could have put the company on a stronger economic footing.

**Treasury provided GMAC with TARP funds under the Auto Industry Financing Program. GMAC's bailout dollars, however, have also supported crippling losses in its mortgage lending business.** During a hearing before the Panel in February, GMAC CEO Michael Carpenter testified that the mortgage lending operation was the "millstone around the company's neck." GMAC was one of the largest issuers and servicers of residential mortgages. By late 2008, the residential mortgage unit was severely impaired by the downturn in the housing market and in 2009, the \$8.3 billion GMAC lost on its mortgage business constituted more than 80 percent of its total net losses.

**The Panel is deeply concerned that Treasury has not required GMAC to lay out a clear path to viability or a strategy for fully repaying taxpayers.** Despite a \$17.2 billion TARP investment, there is still no clear business plan for GMAC. Treasury has not given due consideration, for example, to the possibility of breaking apart GMAC and merging the auto finance part back into GM, a step which would restore GM's financing operations to the model generally shared by other automotive manufacturers.

The full report is available at [cop.senate.gov](http://cop.senate.gov).

*The Congressional Oversight Panel was created to oversee the expenditure of the Troubled Asset Relief Program (TARP) funds authorized by Congress in the Emergency Economic Stabilization Act of 2008 (EESA) and to provide recommendations on regulatory reform. The Panel members are: former Securities and Exchange Commissioner Paul S. Atkins; J. Mark McWatters; Richard H. Neiman, Superintendent of Banks for the State of New York; Damon Silvers, Policy Director and Special Counsel for the AFL-CIO; and Elizabeth Warren, Leo Gottlieb Professor of Law at Harvard Law School.*

[What is RSS?](#) | [Privacy](#)