[Journal of Financial Crises](https://elischolar.library.yale.edu/journal-of-financial-crises)

Volume 4 | Issue 1

2022

The Rescue of the US Auto Industry, Module D: Emergency Assistance to Ally Financial (formerly GMAC)

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Yale Program on Financial Stability Case Study
February 24, 2020; Revised Date: April 8, 2022

Abstract

In 2008, GMAC was a $200 billion company providing financing to General Motors customers. As the Global Financial Crisis entered a critical stage in early 2008, GMAC's funding strategy and liquidity position were adversely affected by the significant disruption in credit markets and the broader economic downturn. This reduced access to financing, which impacted GMAC's ability to provide automotive wholesale inventory and retail financing to General Motors and Chrysler. In late 2008 and early 2009 GM and Chrysler underwent a complex restructuring process. To restore liquidity to GMAC's auto finance business, the Federal Reserve agreed to expedite GMAC's conversion to a bank holding

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[1] This case is one of eight Yale Program on Financial Stability (YPFS) modules considering the various elements of the government's rescue of the US auto industry and published 2022:

- "The Rescue of the US Auto Industry, Module A: Automotive Bridge Loans" by Alexander Nye.
- "The Rescue of the US Auto Industry, Module B: Restructuring General Motors Through Bankruptcy" by Kaleb B. Nygaard.
- "The Rescue of the US Auto Industry, Module C: Restructuring Chrysler Through Bankruptcy" by Alexander Nye.
- "The Rescue of the US Auto Industry, Module D: Emergency Assistance to Ally Financial (formerly GMAC)" by Riki Matsumoto and Kaleb B. Nygaard.
- "The Rescue of the US Auto Industry, Module E: Emergency Assistance for Chrysler Financial" by Alexander Nye.
- "The Rescue of the US Auto Industry, Module F: Auto Supplier Support Program" by Riki Matsumoto.
- "The Rescue of the US Auto Industry, Module G: The Auto Warranty Commitment Program" by Benjamin Henken.
- "The Rescue of the US Auto Industry, Module Z: Overview" by Rosalind Z. Wiggins, Greg Feldberg, Alexander Nye, and Andrew Metrick.

Cases are available from the *Journal of Financial Crises* at https://elischolar.library.yale.edu/journal-of-financial-crises/.

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company and to provide access to several of its and the Federal Deposit Insurance Corporation's emergency liquidity programs, which GMAC used heavily throughout 2009 and 2010. The FDIC also provided GMAC with access to its Temporary Liquidity Guarantee Program. The US Treasury agreed to provide capital under the Automotive Industry Financing Program authorized under the Emergency Economic Stabilization Act of 2008. From December 2008 to December 2009, the Treasury invested $17.2 billion into GMAC. When the last of the government-held shares were sold in December 2014, taxpayers had recouped $19.6 billion, for a net return of $2.4 billion.

Keywords: Ally Financial, auto finance companies, Automotive Industry Financing Program, Chrysler, EESA, General Motors, GMAC

Emergency Financial Assistance to Ally Financial (formerly GMAC)

At a Glance

As the Global Financial Crisis entered a critical stage in early 2008, credit markets tightened and the broader economy turned down. Because of the size and importance to the economy of General Motors (GM) and Chrysler, the government decided in December 2008 to provide assistance to the automakers to sustain them while they developed plans to restructure. A significant portion of both GM's wholesale inventory and retail financing to dealers and customers was provided by the auto finance unit of GMAC, a GM subsidiary. GMAC's ability to continue to provide financing for GM dealers and customers was critical to the manufacturer's ability to restructure its business and avoid failure. GMAC was also expected to become a lender and play a role in Chrysler's restructuring. However, GMAC's funding strategy and liquidity position were also being negatively impacted by market stresses and GM's difficulties.

Summary of Key Terms	
Purpose: To stabilize GMAC so that it could continue to provide wholesale and retail financing to GM and Chrysler dealers and customers.	
Announcement date	December 29, 2008
Operational date	December 30, 2008
End of issuance window	December 19, 2014
Legal authority	Federal Reserve Act; FDIC Act, Systemic Risk Exception; Emergency Economic Stabilization Act of 2008
Total liquidity support	$15.3 billion (Federal Reserve); $7.4 billion (FDIC)
Total TARP investment	$17.2 billion ($19.6 billion in total return)
Participants	GMAC (later Ally Financial)
Administrators	Federal Reserve, US Treasury, FDIC

The government assisted GMAC in developing a strategy to maintain its viability. GMAC accessed the Federal Reserve discount window and applied to convert to a bank holding company. The Fed approved the conversion on an expedited basis, providing access to several of its emergency liquidity programs, which GMAC—renamed Ally Financial—used heavily throughout 2009 and 2010. The Federal Deposit Insurance Corporation (FDIC) also guaranteed new debt issuance by GMAC through the Temporary Liquidity Guarantee Program (TLGP). From December 2008 to December 2009, the US Treasury invested $17.2 billion in GMAC stock as part of the Automotive Industry Financing Program (AIFP), which it had created under the Emergency Economic Stabilization Act of 2008 (EESA). When the government sold the last of its shares in GMAC in December 2014, taxpayers had recouped $19.6 billion for a net return of $2.4 billion.

Summary Evaluation

GMAC's return to profitability and access to public funding markets suggests that the government's assistance, as a whole, provided enough support for GMAC to eventually stand on its own. There have not been any academic reviews of the government's interactions with GMAC. However, there was one useful, public commentary in a March 2010 Congressional Oversight Panel. The executive summary outlines the underlying purpose of GMAC's rescue: "There is no doubt that Treasury's actions to preserve GMAC played a major role in supporting the domestic automotive industry" (COP 2010). A 2015 Congressional Research Service report noted that the decision to make (or switch to) common equity investments meant that the Treasury took on additional risk. In 2014, the final shares were sold for a profit; however, at the time of the investment this was far from a sure bet.

Emergency Assistance for GMAC: United States Context 2008–2009	
GDP (SAAR, Nominal GDP in LCU converted to USD)	$14,559.5 billion in 2008 $14,628.0 billion in 2009
GDP per capita (SAAR, Nominal GDP in LCU converted to USD)	$48,383 in 2008 $47,100 in 2009
Sovereign credit rating (five-year senior debt)	As of Q4, 2008: Fitch: AAA Moody's: Aaa S&P: AAA As of Q4, 2009: Fitch: AAA Moody's: Aaa S&P: AAA
Size of banking system	$9,938.3 billion in total assets in 2008 $9,789.1 billion in total assets in 2009
Size of banking system as a percentage of GDP	68.3% in 2008 66.9% in 2009
Size of banking system as a percentage of financial system	Banking system assets equal to 30.5% of financial system in 2008 Banking system assets equal to 30.2% of financial system in 2009
Five-bank concentration of banking system	44.9% of total banking assets in 2008 44.3% of total banking assets in 2009
Foreign involvement in banking system	18% of total banking assets in 2008 16% of total banking assets in 2009
Government ownership of banking system	0% of banks owned by the state in 2008 0% of banks owned by the state in 2009
Existence of deposit insurance	100% insurance on deposits up to $250,000 in 2008 100% insurance on deposits up to $250,000 in 2009
Sources: Bloomberg; Federal Deposit Insurance Corporation; World Bank, Bank Regulation and Supervision Survey; World Bank Global Financial Development Database.	

I. Overview

Background

The Global Financial Crisis that began in the summer of 2007 with a decline in the United States subprime mortgage markets entered a critical stage in early 2008 (FRBSL n.d.). As the crisis unfolded, credit markets tightened and a broader economic downturn developed; the auto industry was hit particularly hard (BLS n.d.). The crisis intensified a decade-long decline of the largest US auto manufacturers (Klier and Rubenstein 2012, 36, figure). Because of their size and importance to the economy, the government determined, beginning in December 2008, to provide assistance to General Motors (GM) and Chrysler Holdings (Chrysler) while the automakers developed plans to restructure. GM and Chrysler eventually required substantial government financial assistance and underwent US Treasury–assisted restructurings and bankruptcies. The Treasury's assistance quickly expanded beyond the manufacturers to include their auto financing companies (Treasury 2014b).

The primary source of financing for GM's dealers and consumers was the automobile finance unit of GMAC Financial Services. While GMAC had begun as a captive subsidiary of GM, by 2006, its $200-plus billion business[4] had expanded beyond auto financing to include real estate and insurance.[5] That year, GMAC was spun off as an independent company. However, GM retained a significant ownership interest, and certain "captive" aspects were retained with respect to the automobile financing business (Treasury 2014b)

In 2008, GMAC's share of GM retail sales and sales to dealers were 32% and 81%, respectively. Thus, GMAC's ability to continue to provide financing for GM dealers and customers was critical to the manufacturer's ability to restructure its business and avoid failure (GMAC LLC 2009a). However, GMAC's funding strategy and liquidity position were also being negatively impacted by volatility in the capital markets and diminished access to liquidity, which resulted in increased borrowing costs (GMAC 2008b). Moreover, GMAC's mortgage origination and servicing subsidiary, Residential Capital, LLC (Massad 2012) was significantly adversely affected through its exposure to mortgage markets and had to be propped up by GMAC (Massad 2012). Over the course of 2007 and 2008, ResCap posted losses of $10 billion, while GMAC's auto finance operation lost about $0.6 billion (GMAC 2008 10-K, 27). The losses. This negatively affected GMAC's credit rating, which further increased borrowing costs and access to debt capital markets (Nygaard n.d.). In the third quarter of

[4] GMAC was renamed Ally Financial in 2010. However, GMAC/GMAC Inc./GMAC LLC/GMAC Financial Services/Ally will be referred to as GMAC throughout this case for the purpose of consistency.

[5] In a press release of December 24, 2008, the company described itself as follows, "GMAC Financial Services is a global finance company operating in and servicing North America, South America, Europe and Asia-Pacific. GMAC specializes in automotive finance, real estate finance, insurance, commercial finance and online banking. As of Dec. 31, 2007, the organization had $248 billion in assets and serviced 15 million customers" (GMAC Financial 2008d).

2008, GMAC reported a net loss of $2.5 billion; since mid-2007, it had reported cumulative losses of $7.9 billion (COP 2011).

The US Treasury determined that GM could not survive without GMAC's crucial dual role in providing financing to GM consumers and auto dealers (Treasury 2014b). An estimated 80 to 90% of consumers finance or lease their vehicles (COP 2010), and GMAC facilitated more than 30% of GM retail sales. GMAC also facilitated over 80% of the financing that the GM dealers network received to buy new vehicles for inventory, known as floor plan financing (GMAC 2008b). Moreover, in November 2006, in connection with the spin-off of GMAC from GM, GMAC and GM agreed that, subject to certain conditions and limitations, whenever GM offered vehicle financing and leasing incentives to customers, it would do so exclusively through GMAC (Ally Financial 2012). Consequently, due to the interdependence between GM and GMAC, GMAC's ability to continue funding the manufacturer-dealer-consumer credit channel was critical to GM's survival.

Program Description

To restore liquidity to GMAC's auto finance business, the government intervened with assistance in a variety of forms, including liquidity and capital assistance, originating from a number of agencies. GMAC accessed programs and worked with policy makers at the Federal Reserve (through efforts and programs including: bank holding company conversion, the discount window, the Term Auction Facility, the Commercial Paper Funding Facility, and the Term Asset-Backed Securities Loan Facility), the FDIC (the Temporary Liquidity Guarantee Program), and the Treasury (multiple capital injections). Each of these programs and interactions are outlined in the following sections and summarized in Figure 1.

Figure 1: Federal Assistance to GMAC

Agency	Facility Accessed	Type of Assistance	Amount Utilized
Federal Reserve	Discount window & Term Auction Facility (TAF)	Short-term lending	$5.0 billion
	Commercial Paper Funding Facility (CPFF)	Support for issuance of commercial paper	$7.6 billion
	Term Asset-Backed Securities Loan Facility (TALF)	Support for issuance of asset-backed securities	$2.7 billion in eligible transactions, of which $533 million utilized TALF
	Conversion to a bank holding company	Status change and facilitated legal access to other facilities	n/a
FDIC	Temporary Liquidity Guarantee Program (TLGP)	Guarantee of new debt	$7.4 billion
Treasury	Troubled Assets Relief Program (TARP)	Capital investments	$17.2 billion

Source: Federal Reserve.

Federal Reserve Liquidity Facilities

Discount Window and Term Auction Facility

One of GMAC's subsidiaries was an industrial loan company (ILC),[6] GMAC Bank (BdofGov 2008e), and as such it was eligible to access the Fed's discount window, the Fed's main vehicle for providing overnight lending to eligible depository institutions at favorable rates, fulfilling its lender-of-last-resort role for the banking system. However, it appears that GMAC had not applied to access the discount window until September 2008, which requires making an application, establishing an account, and posting collateral with the Fed to secure any

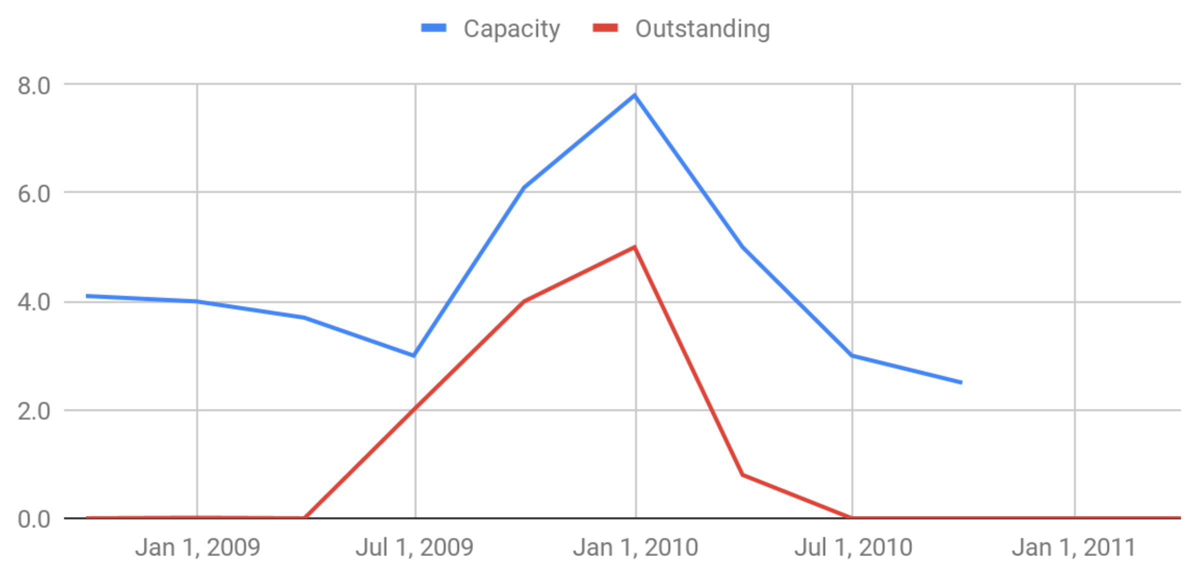
[6] "ILCs are state-chartered banks that have direct access to the federal safety net—deposit insurance and the Federal Reserve's discount window and payments system—and have virtually all of the deposit-taking, lending, and other powers of a full-service commercial bank. Despite their access to the federal safety net and broad powers, these banks operate under a special exception to the federal Bank Holding Company Act (BHC Act). This special exception allows any type of firm, including a commercial firm or foreign bank, to acquire and operate an ILC chartered in one of a handful of states outside the framework of federal supervision of the parent holding company and without the restrictions on the scope of activities conducted by the ILC's affiliates that govern the ownership of insured banks by bank holding companies" (Alvarez 2006).

loans. GMAC was granted access to the discount window on September 11, 2008[7] (GMAC LLC 2008).

Earlier in the crisis, the Fed had established the Term Auction Facility (TAF), a liquidity program designed to counter any stigma related to borrowing through the discount window that made banks reluctant to borrow there. The TAF provided liquidity through the auction of a pre-announced quantity of collateralized credit for a term of 28 or 84 days (GMAC LLC 2009a). All banks eligible for primary credit under the discount window were eligible to borrow under the TAF.

By the end of September 2008, GMAC had pledged $5.2 billion of automotive loans and leasing financings as collateral to the two facilities, which provided to it a borrowing capacity of $4.1 billion (GMAC LLC 2008). GMAC's capacity and quarter-end outstanding borrowings can be seen in the Figure 2, with a maximum outstanding amount of $5 billion (Nygaard n.d.).

Figure 2: GMAC Borrowings: Discount Window & Term Auction Facility (in $ billions)



Source: GMAC SEC filings.

Commercial Paper Funding Facility

On October 27, 2008, the Federal Reserve's Commercial Paper Funding Facility (CPFF), which provided funding for third parties to purchase highly rated unsecured and asset-backed commercial paper from eligible primary dealers, began operations (BdofGov n.d.). GMAC Bank, via a subsidiary,[8] was eligible to participate in this facility, and by the end of 2008, GMAC had $7.6 billion of outstanding commercial paper through the CPFF (GMAC LLC

[7] An application and completion of certain administrative forms and steps are required before an entity can access Discount Window lending.
[8] The subsidiary was called the New Center Asset Trust (NCAT).

2009a). By March of 2009, the total outstanding had decreased slightly, to $6.1 billion. By April 2009, most of the issued commercial paper had matured and was not renewed (GMAC LLC 2009b).

GMAC Bank's use of the CPFF was cut short due to ratings downgrades. On November 25, 2008, GMAC's commercial paper was downgraded below the CPFF's eligibility requirement, and GMAC was granted two months to improve the credit rating (GMAC 2009a). GMAC was unable to do so and began an orderly wind-down of its commercial paper trust in January 2009 (GMAC LLC 2009b).

Term Asset-Backed Securities Loan Facility (TALF)

GMAC also participated in a Fed program that supported issuance of asset-backed securities, the Term Asset-Backed Securities Loan Facility (TALF). TALF allowed eligible institutions[9] to borrow from the Federal Reserve Bank of New York (FRBNY) using, among other types, auto loan asset-backed securities as collateral (BdofGov 2008c). Between September 2009 and March 2010, GMAC executed three TALF-eligible transactions worth a total of $2.7 billion (Nygaard n.d.). All institutions buying the securities from GMAC were eligible for the TALF; however, of the total $2.7 billion issued, investors that accessed the TALF accounted for $533 million (BdofGov 2011).

GMAC Becomes a Bank Holding Company (BHC)

On November 20, 2008, GMAC Bank requested approval from the Utah Department of Financial Institutions to convert from an industrial loan company to a state-chartered commercial bank (COP 2010; GMAC Financial 2008a). Simultaneously, GMAC, the parent company, applied to the Federal Reserve to convert to a bank holding company. The Federal Reserve approved GMAC's application, subject to certain conditions, under an expedited process, for the conversion of both the subsidiary bank and the bank holding company on December 24, 2008 (BdofGov 2008e). Not only did this change in status provide the companies access to additional government funding facilities, it also affected outstanding private debt exchange offers and cash tender offers that had been contingent on these conversions. Reporting on the BHC conversion approval, the *Wall Street Journal* said, "In a rare sign of discord within the Fed over the emergency move, Governor Elizabeth Duke, a Virginia banker who joined the board in August, voted against the move. The Fed didn't explain her objections in its approval statement. The Fed also denied a request from an unnamed commenter for a public hearing on the decision" (Hilsenrath and Saha-Bubna 2008).

After the spinoff in 2006, the ownership structure of GMAC was such that GM held a 49% stake and an investment consortium led by Cerberus Capital Management, L.P. (Cerberus) held the majority 51% stake (GMAC LLC 2008). The BHC conversion was contingent on a number of ownership and management changes in order to be consistent with the Fed policy on non-controlling investments in bank holding companies and banks (BdofGov 2008e).

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[9] See FRBNY 2010 for the Federal Reserve Bank of New York's description of eligible borrowers.

To avoid becoming a bank holding company itself, GM was required to reduce its ownership in GMAC to less than 10%. The remaining equity interest was transferred to an independent trust run by a trustee approved by the Fed and the US Treasury with the mandate to dispose of the equity interests within three years. GM also agreed to amend its agreements with GMAC to remove restrictions on GMAC's ability to engage in transactions with unrelated parties and to ensure that GMAC controlled its own financing arrangements (BdofGov 2008e). The transfer to the independent trust was executed in May 2009 (COP 2010).

Figure 3: GMAC Ownership Structure

GMAC's Shareholders	Before Treasury Investment	After Treasury Investment
GM	49%	Less than 10%
Cerberus consortium	51%	Less than 33% total (no member of the consortium could hold or control 5% or more of voting shares and 7.5% of total equity)

Source: BdofGov 2008e.

Each Cerberus fund within the consortium was also required to distribute its GMAC interests to its respective investors, who agreed to reduce their individual equity holdings in GMAC to less than 7.5%, or less than 33% collectively (BdofGov 2008e).

As part of the BHC conversion, GMAC was also required to restructure its board of directors. The new board of directors included: the GMAC CEO, a director appointed by Cerberus, two appointed by the independent trust, and three additional independent directors appointed by the first four (SIGTARP 2009).

A congressional report stated, based on interviews with GMAC staff, that the reasons that GMAC sought to convert to a BHC were to access certain government programs established to address the financial crisis. As a BHC, GMAC could access the FDIC's Temporary Liquidity Guarantee Program (TLGP) and the TARP's Capital Purchase Program (CPP). The TLGP provided an FDIC guarantee for new debt that GMAC issued (with certain restrictions) and a guarantee of its transaction account deposits. The CPP, administered by Treasury, made government capital injections of preferred stock into financial companies if they could not raise such funds in the markets. Although GMAC Bank, as an ILC, would have been eligible to receive CPP funds, its parent would not have been prior to conversion into a BHC (COP 2010).

The FDIC's Temporary Liquidity Guarantee Program

In an extraordinary measure, the Treasury, the Fed, and the FDIC each issued individual statements[10] and together issued a joint statement on the morning of October 14, 2009. The FDIC announced the creation of the Temporary Liquidity Guarantee Program (TLGP). The joint statement indicated that the program was being created under the systemic risk exception[11] of the FDIC Act as signed by the Secretary of the Treasury (Treasury 2008c). The TLGP was a voluntary program that allowed banks, thrifts, and their holding companies to issue senior unsecured debt with a full guarantee from the FDIC (Bair 2008).

The TLGP had two components. Under the first FDIC Chair Sheila Bair was reluctant to extend the TLGP's guarantee to GMAC's debt, given the ongoing losses at ResCap and lingering risks in its auto finance business. On March 19, 2009, the Fed Chairman and Treasury Secretary sent the FDIC a "comfort letter" promising to use their best efforts to protect the FDIC from losses on debt guarantees. Bair finally agreed to guarantee GMAC's debt after the Treasury increased the FDIC's credit line and supported legislation to allow the FDIC to impose an assessment on the biggest banks in the country (Bair 2013, p. 176).GMAC was ultimately authorized by the FDIC to issue up to $7.4 billion of senior unsecured debt under the TLGP for a fee. GMAC issued a total of $4.5 billion in the second quarter of 2009, $1 billion of which had a floating rate and $3.5 billion had a fixed rate. Both had terms ending in December of 2012. On October 30, 2009, GMAC issued an additional $2.9 billion in fixed-rate debt, borrowing up to the limit of the FDIC's approved usage of the TLGP (GMAC 2009b). The $2.9 billion and $4.5 billion were repaid in full in October and December 2009, respectively (Ally Financial 2012).

, the Debt Guarantee Program (DGP), the FDIC, for a fee, provided a limited-term guarantee for senior unsecured debt issued on or between April 1, 2009, and October 31, 2009, by eligible participating entities (banks and thrifts but also bank, thrift, and financial holding companies and eligible bank affiliates). Eligible securities would be guaranteed through the earlier of their maturity or December 31, 2012. Under the second component, the Transaction Account Guarantee Program (TAGP), the FDIC would fully guarantee certain non-interest-bearing transaction deposit accounts (Bair 2008).

Treasury Capital Investments

Between December 2008 and December 2009, the US Treasury invested more than $17.2 billion into GMAC (Treasury 2014a). The investment was spread out over a series of three

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[10] The Federal Reserve announced the Commercial Paper Funding Facility and the Treasury announced the Capital Purchase Program. The announcements also indicated that nine large financial institutions had already committed to participating in both programs (Treasury 2008c).

[11] This was only the second time that the FDIC board had approved a systemic risk exception, which required a finding by the Secretary of the Treasury; the first had been just two weeks earlier to assist Wachovia. See Davison 2019 for a detailed discussion of the TLGP. The TLGP had two components. "It provided a limited-term guarantee for certain newly issued debt not only of banks and thrifts but also of bank, thrift, and financial holding companies and eligible bank affiliates (the Debt Guarantee Program, or DGP). Additionally, the TLGP fully guaranteed certain non-interest-bearing transaction deposit accounts (the Transaction Account Guarantee Program, or TAGP). (FDIC 2008)

installments: (1) $5.3 billion as part of the funding round required by the Federal Reserve in GMAC's BHC conversion; (2) $7.9 billion to assist GMAC in meeting the capital level required by the Supervisory Capital Assessment Program (SCAP) stress test; and (3) $4 billion in additional capital when the initial $7.9 billion failed to fully satisfy the SCAP requirement on its own (Nygaard n.d.).

BHC Conversion

One of the Federal Reserve's stipulations for GMAC during its conversion to a BHC was that it raise its capital levels by approximately $7 billion, from $23 billion to $30 billion (SIGTARP 2014; GMAC Financial 2008b). The Fed required GMAC to convince 75% of bondholders to accept equity in exchange for debt and existing shareholders to invest new capital.

On December 29, 2009, when GMAC was unable to meet the threshold on their own, the Treasury stepped in with a $5.25 billion investment package (Nygaard n.d.). Of that total, $5 billion was used for an outright purchase of GMAC preferred shares (Treasury 2008a). The remaining $250 million came in the form of a warrant to purchase additional preferred shares.[12] The warrant was exercised immediately (COP 2010).

On December 31, GMAC said that bondholders had agreed to exchange $17.5 billion of bonds for cash, new bonds, and new preferred stock; the exchange represented 59% of outstanding bonds, short of the Fed's 75% target (GMAC Financial 2008e). Still, bondholders sustained substantial losses. GMAC reported a pretax gain on the debt exchange of $11.5 billion, including a $3.8 billion principal discount, a $5.4 billion discount representing the difference between the face value and the estimated fair value of the new notes, and a $2.3 billion discount representing the difference between the face value and estimated fair value of the new preferred stock (GMAC LLC 2009a, p. 145).

GMAC also raised $1.25 billion in a rights issue and $0.75 billion in subordinated debt from GM and Cerberus, announced on January 16, 2009 (GMAC LLC 2009a, p. 70). However, the Treasury provided an $884 million loan to GM, which GM used to subscribe to its portion of the rights issue for shares in GMAC. In addition to the shares purchased directly, on January 16, 2009, the Treasury also provided an $884 million loan to GM, which GM used to buy shares in GMAC (Treasury 2009b). GMAC was also required to "convince 75% of bondholders to exchange their notes for discounted preferred stock that would count as capital (SIGTARP 2013).

[12] The shares purchased outright paid an 8% dividend, and the shares purchased via the warrant paid a 9% dividend (COP 2011).

First Round of SCAP Assistance

In February of 2009, the Treasury announced that they would be conducting "forward-looking assessments to evaluate the capital needs of the major U.S. banking institutions under a more challenging economic environment" (Treasury 2009d). GMAC was one of the 19 institutions required to participate. The results of the test, released in May 2009, indicated that GMAC needed to raise its capital level by an additional $11.5 billion[13] (BdofGov 2009a).

On May 21, 2009, when GMAC was unable to raise the required capital, the Treasury purchased $7.9 billion of GMAC shares. In a similar format as the December 2008 investment, the Treasury purchased $7.5 billion outright and immediately exercised a warrant for an additional $375 million. In the same announcement, Treasury indicated that the $884 million loan to GM made in January 2009 was being converted into GM shares (Ally Financial 2012). After the day's actions, the Treasury's stake in GMAC represented 35% of the company (Treasury 2009c).

Within this $7.87 billion capital injection round, $4 billion was used to assist GMAC in its acquisition of Chrysler Financial's floor plan financing work with Chrysler (COP 2010). See Nye 2021 for more details.

Second Round of SCAP Assistance

Despite the large Treasury investment in May, by early November 2009 GMAC had still not met the $11.5 billion capital threshold required. The Federal Reserve announced that, of the 10 institutions required to raise additional capital following the SCAP, GMAC was the only one to fail to do so (BdofGov 2009b).

On December 30, 2009, Treasury made a capital investment of $3.9 billion in GMAC. The injection included $1.3 billion in preferred equity and $2.7 billion in trust preferred securities[14] (Ally Financial 2012). Following this third series of investments, which included the conversion of some conversions of preferred shares into common equity[15] (Treasury 2009c).

In December 2010, the Treasury converted $5.5 billion of preferred shares to common equity. This final conversion brought Treasury's ownership of GMAC to what would be its peak ownership of 74% (Treasury 2010b).

Government Guidelines for Voting Shares

Under the terms of Treasury's $884 million loan to GM, GMAC and its shareholders agreed that the governance of GMAC would change in the event that Treasury's stake in the company

[13] Of the total $11.5 billion required, $9.1 billion had to be new Tier 1 capital (BdofGov 2009a).
[14] As in the previous investments, a small portion of these total figures were warrants that were exercised immediately (Ally Financial 2012; Treasury 2009c).
[15] See Treasury 2009c for more details.

grew. The shares that GM purchased with the Treasury's loan were placed in an independent trust, the trustees of which temporarily had the right to select directors of GMAC's board.

On May 21, 2009, Treasury exercised its option to convert its loan to GM into a XXX% stake in GMAC, and the parties revised the governance agreement to increase the size of the board to nine members (GMAC LLC 2009c, p5). The temporary independent trust was abolished. Under the new agreement, Treasury would have the right to designate more directors as its equity stake grew (see Figure 4).[16]

Figure 4: Treasury Ownership Percentage

	9.9% - 19.9%	20.0% - 35.5%	35.6% - 49.9%	50.0% - 70.8%	Greater than 70.8%
Total Number of Managers Constituting Board	9	9	9	9	11
Treasury Designated Managers	1	2	3	4	6
Cerberus Designated Managers	1	1	1	1	1
Chief Executive Officer of GMAC	1	1	1	1	1
Independent Managers	6	5	4	3	3

GMAC LLC 2009c, p.5.

In a June 2009 speech, President Barack Obama described the government's position as one of "a reluctant shareholder" (Obama 2009b). Most of TARP's investments were in the form of non-voting preferred stock; however, the interventions in the auto industry did involve voting ownership (Treasury 2010b). As early as 2009, and peaking in December 2010 at 74%, the Treasury owned a significant portion of GMAC common shares (Nygaard n.d.).

Two principles that would guide Treasury's use of voting rights were announced:

> (1) Treasury intends to exercise its right to vote only on certain matters consisting of the election or removal of directors; certain major corporate transactions such as mergers, sales of substantial amounts of assets, and dissolution; issuances of equity securities where shareholders are entitled to vote; and amendments to the charter or bylaws; and (2) on all other matters, Treasury will either abstain from voting or vote its shares in the same proportion (for, against, or abstain) as all other shares of the company's stock are voted. (Treasury 2010b).

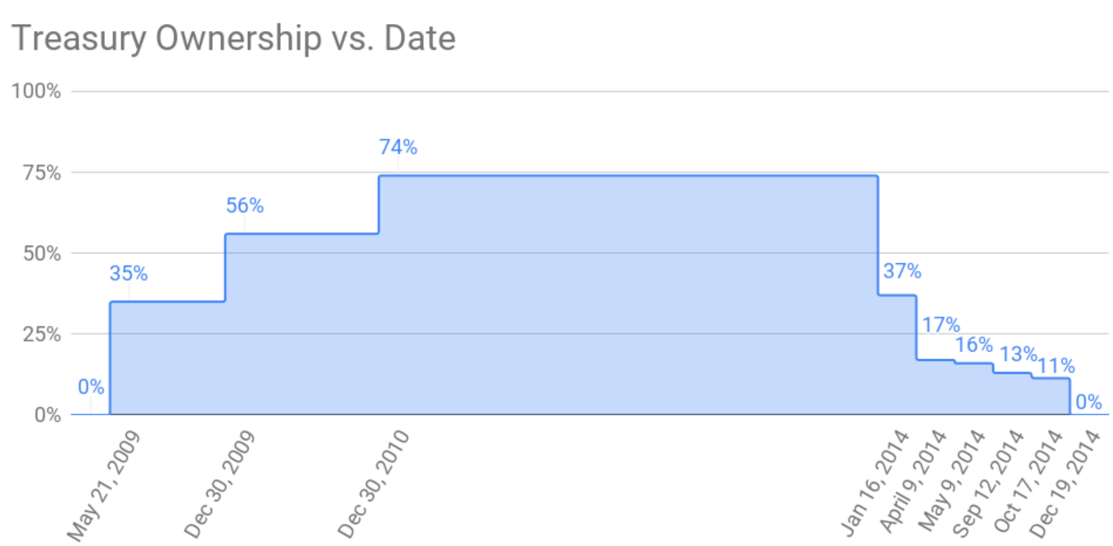
[16] COP reported that Treasury staff considered an ongoing trust structure as a possibility for Treasury shares but concluded that a trust "does not enhance our position." Transcript of COP Hearing on GMAC, (COP 2010a).

Wind-down of Treasury Investments

Regarding the wind-down of its investments, Treasury noted, "the goal is to dispose of the government's interests as soon as practicable . . . and in a timely and orderly manner that minimizes financial market and economic impact" (COP 2010). In congressional testimony, Treasury representatives outlined a number of steps GMAC needed to take before the agency divested of its shares in GMAC, including: (1) refinancing its debt, (2) increasing balance-sheet liquidity, (3) gaining access to the third-party credit markets, (4) bringing down the cost of capital, (5) hiring good staff, (6) supporting and expanding a retail bank, (7) containing a deeply troubled mortgage subsidiary,[17] and (8) preparing for an IPO. The representatives indicated that since an IPO would require the company to be on a path to profitability, Treasury might be required to hold onto the shares longer than anticipated (COP 2010).

The final preferred shares that Treasury owned were sold in March of 2011 (Treasury 2011a). Because of Residential Capital's (ResCap) poor financials, GMAC's originally targeted IPO date, first scheduled for 2011, didn't happen until 2014. In 2012, ResCap filed for bankruptcy (Massad 2012). The wind-down of the Treasury's common equity shares began in 2014 and can be seen in Figure 5 (Nygaard n.d.).

Figure 5: Treasury's Stake in GMAC Over Time



Source: Treasury press releases (Nygaard n.d.).

[17] Among the many reasons for GMAC's financial troubles in 2007 and 2008 was their ownership in ResCap, a residential mortgage company (GMAC LLC 2009a). For undetermined reasons, the government decided not to force ResCap to separate from GMAC before the Treasury's investments (COP 2010). Because of ResCap's poor financials, GMAC's originally targeted IPO date, originally scheduled for 2011, didn't happen until 2014 (Massad 2012). In 2012, ResCap filed for bankruptcy (Massad 2012).

Outcomes

GMAC rebranded itself as Ally in May 2010 (Ally Financial 2010a). The bank holding company ended its emergency use of the Fed's discount window and Term Auction Facility in the summer of 2010 as well, repaying all borrowed principal with interest (Nygaard n.d.). The Fed also collected fees on GMAC's use of the Commercial Paper Funding Facility (BdofGov n.d., GMAC 2008b). After multiple term asset-backed securities issuances supported by the Fed's Term Asset-Backed Securities Loan Facility, GMAC conducted a successful issuance without government support (GMAC 2010b).

In the final quarter of 2012, GMAC repaid all the senior unsecured debt it had issued under the FDIC's Temporary Liquidity Guarantee Program (Ally Financial 2012). This program included fees paid to the FDIC (FDIC n.d.).

Between December 2008 and December 2009, the US Treasury invested more than $17.2 billion in capital in GMAC. The final sale of Treasury's equity in GMAC was completed on December 19, 2014. The total return on the series of investments was $19.6 billion, for a taxpayer profit of $2.4 billion (Treasury 2014a).

In February 2010 GMAC was able to successfully issue unsecured long-term debt and in mid-2010 was able to turn a profit (GMAC 2010a; COP 2011).

GMAC continued to support ResCap following the Treasury capital injection. GMAC provided ResCap roughly $3.3 billion in 2008 and $4.0 billion in 2009.[18] Uncertainty about the potential for further losses at ResCap forced GMAC to delay its initial public offering (IPO), originally planned for 2011. GMAC paid $2.1 billion to settle claims in ResCap's bankruptcy in 2013 (Ally Financial 2013b).

The final sale of Treasury's equity in GMAC was completed in an IPO on December 19, 2014. Treasury ultimately recovered $19.6 billion on its investments in GMAC, a taxpayer profit of $2.4 billion (Treasury 2014a).

II. Key Design Decisions

1. The government provided assistance that enabled GMAC to avoid filing for bankruptcy.

Given the market stresses that it was experiencing, in the fall of 2008 GMAC consulted with the FDIC, Treasury, and the Federal Reserve about strategies for how it might survive the crisis. It was out of these meetings that the plan to convert into a BHC arose, the application for which GMAC submitted on November 20, 2008 (COP 2010). We have not been able to

[18] The 2008 figure includes $0.8 billion of forgiveness of debt in ResCap's GMAC Mortgage Servicing Rights facility and $2.5 billion through contributions and forgiveness of ResCap debt held by GMAC. The 2009 figure includes "cash, mortgage loans held-for-sale (which GMAC acquired from Ally Bank), receivables, [and] the forgiveness of debt and affiliated payables.

determine the full scope or timing of these discussions, but it appears that these discussions might also have been the impetus for GMAC's applying to access the discount window and TAF.[19]

An alternative option that was considered, but eventually rejected as unpalatable, was to allow GMAC to file for bankruptcy (Rattner 2010, 147). One of the reasons for providing support so that this would not happen, cited in a 2010 congressional review, was that adding a third auto-related bankruptcy would increase the disruption to the economy caused by the potential bankruptcies of GM and Chrysler (COP 2010). The report cited the view that a GMAC bankruptcy could have impeded the pending merger between Chrysler and Fiat and disrupted GM's own access to funding, a result contrary to the purpose of the Automotive Industry Financing Program (AIFP) (COP 2010).

2. The government deployed a variety of tools, broad-based and specific, to support GMAC.

In seeking to provide assistance to GMAC and to help it develop a strategy for survival through the crisis, the government had a variety of facilities and mechanisms to recommend. GMAC accessed a number of programs that the government had established to address the severe stresses caused by the crisis and a number of other regulatory mechanisms (see Figure 1 above). Of all the assistance, however, only the approval of the BHC conversion required a unique determination in that other aid relied on standing programs (Discount Window), broad-based emergency programs (TAF) or already established limited programs (SCAP and AIFP). That the government had such a wide toolkit to use in developing a strategy for GMAC was a function of the structural complexity of GMAC, timing, and the government's willingness to assist it.

GMAC owned an industrial loan bank, GMAC Bank, that was already eligible to access the Discount Window. Applying for access in September 2008 involved merely the standard application, establishing an account with the Fed and depositing eligible collateral to secure any loans. Access to the Discount Window was granted in September 2008 and also provided access to the TAF.

Within weeks of consulting with the government, GMAC accessed other crisis-era liquidity programs, including the CPFF and TALF. These programs were two of the several that the

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[19] According to the COP, based on interviews with GMAC staff, "In response to deteriorating market conditions, significant third quarter losses, and the prospect of looming fourth quarter losses, on November 20, 2008, GMAC requested the approval of the Board of Governors of the Federal Reserve System (the Board) under section 3 of the BHCA to become a BHC upon the conversion of GMAC Bank to a commercial bank. GMAC took this step after conversations with the FDIC and Treasury about strategies for surviving the financial crisis. GMAC's management maintains that the final decision to seek BHC status was a joint decision resulting from discussions between GMAC management, the board of directors, Treasury, the Federal Reserve, and the FDIC" (COP 2010).

Fed implemented in 2008 to "unstick" various markets that locked up after the Lehman bankruptcy. Had GMAC experienced troubles in 2007, these programs would not have been available, and government assistance would have had to be more customized.

The Fed's was willing to expedite GMAC's application to convert to a BHC (including both the first and second 23A waivers), which made it eligible for TARP and the FDIC's TLGP. It is also characterized by Treasury's willingness to consider GMAC under the umbrella of the AIFP, which originally targeted just auto manufacturers, but grew to assist related components of the industry.

3. The government's assistance to GMAC was consistent with its overall aid to the auto industry under the AIFP and more general assistance programs.

The Treasury's investment in GMAC was funded through the Automotive Industry Financing Program (AIFP), the umbrella program under which the government's targeted assistance to GM, GMAC, Chrysler, and Chrysler Financial was structured (U.S. Treasury 2019b), as shown in Figure 1. GMAC also benefitted from several standing and unique programs implemented by the Federal Reserve and the FDIC. The AIFP also included financial assistance to certain companies in the auto manufacturing supply chain and funds to guarantee warranties (U.S. Treasury 2014b). The Treasury predicated its assistance to non-manufacturers on the integrated nature of the auto industry. Accordingly, its assistance to GMAC was explained in similar fashion given the position of GMAC as provider for GM dealer and customer financing.

4. The assistance to GMAC was authorized under several laws.

The various elements of the multi-faceted assistance extended to GMAC were authorized under a number of laws as shown in Figure 6. A majority of the programs were in place in September 2008 when GMAC first sought assistance, and several came on track during the next month. They were with the exception of the BHC and SCAP/AIFP[20] broad based plans.

[20] While the AIFP was announced in December 2008, the SCAP was not implemented until early 2009. The 14th-largest BHC following its conversion, GMAC was one of the 19 financial institutions first subject to the SCAP stress test and capital requirements.

Figure 6: Emergency Facilities Accessed by GMAC

Agency	Facility Accessed	Attributes of Facility	Authority
Federal Reserve	Discount Window/TAF	Standing, broad based	Sec. 10 of the Federal Reserve Act (FRA)
	CPP	Emergency, broad based	Sec. 13(3) of the FRA
	TALF	Emergency, broad based	Sec. 13(3) of the FRA
	BHC conversion	Expedited approval	12 CFR § 225.16
FDIC	TLGP	Emergency, broad based	FDIC systemic risk exception (Section 141 of the FDIC Improvement Act of 1991)
Treasury	SCAP/AIFP capital investments	Emergency, limited	Emergency Economic Stabilization Act (EESA)

Source: Federal Reserve.

As discussed, the Treasury made three capital investments in GMAC, in each case receiving preferred stock and a warrant to purchase common shares.

Between December 2008 and December 2009, the US Treasury invested more than $17.2 billion in capital with GMAC (U.S. Treasury 2014a). The investment was spread out over a series of three investments. The first of these investments was made on December 29, 2008, with respect to helping GMAC meet the capital requirements to convert to BHC. The second was made in May 2009.

While the Treasury had the option to provide GMAC with the required capital through the CAP, SCAP's associated program, the Treasury financed GMAC under the AIFP instead. The Treasury stated "that we used the AIFP instead of the CAP because GMAC was already part of the AIFP and because it did not make sense to open the CAP for only one institution when that institution could receive funding elsewhere" (COP 2010).

5. The government communicated to the public its assistance to GMAC via regular press releases and public comments from high-ranking officials.

On the occasion of each additional program, loan, and policy decision, the government issued a press release. Due to the wide range of interventions, the relevant press releases came from the Treasury, the Fed, the FDIC, and on at least one occasion a joint statement from all three (see the References section for relevant links).

In addition to the technical press releases announcing specifics and term sheets, the rescue of GMAC and the broader auto industry was given significant public attention by President George W. Bush and Treasury Secretary Henry M. Paulson, Jr. (White House 2008). The crisis in the auto and financial industry spanned a change in presidential administrations. President Obama continued the path started by President Bush by keeping the auto industry rescue in his communications to the public (Obama 2009a).

The auto industry was such a large aspect of the economy and affected so many jobs that the government's actions were closely watched and discussed in the broader public. One of the widely publicized efforts by the new administration was a special task force that was set up specifically to tackle the auto industry crisis (Wall Street Journal 2009).

6. The Federal Reserve Board expedited GMAC's conversion to a bank holding company.

GMAC filed an application to convert to a BHC on November 20, 2008, which was approved by the Board on December 24, 2008, a timetable that reflected waiver of the requirement that it provide 30 days for relevant federal and state authorities' approval[21] (BdofGov 2008e). The Fed issued an order that specifically addressed the reasons for its expedited review:

> In light of the unusual and exigent circumstances affecting the financial markets, and all other facts and circumstances, the Board has determined that emergency conditions exist that justify expeditious action on this proposal in accordance with the provisions of the BHC Act and the Board's regulations…
>
> For the same reasons, and in light of the fact that this transaction involves the conversion of an existing subsidiary of Applicants from one form of a depository institution to another and the retention of Applicants' existing nonbanking subsidiaries, the Board has also waived public notice of this proposal (BdofGov 2008e).

Such expedited approval was similar to the Fed's approval of conversion to BHC for Goldman Sachs and Morgan Stanley (BdofGov 2008a; BdofGov 2008b). Conversion to a bank holding company potentially made GMAC eligible for the FDIC's TLGP program, although the FDIC did not approve its participation until May 2009. GMAC eventually raised $7.4 billion in FDIC-guaranteed debt.

[21] The Fed did contact such agencies which did not object to the approval (BdofGov 2008e).

7. The Federal Reserve granted two Section 23A exemptions to GMAC in connection with its conversion to a bank holding company to allow it to continue lending to consumers and dealers.

GMAC requested two exemptions from Section 23A of the Federal Reserve Act and the Fed's Regulation W—first, in December 2008, in connection with the BHC conversion, and second, in May 2009, in connection with the SCAP funding round (BdofGov 2008d; BdofGov 2009b).

Section 23A of the Federal Reserve Act and Regulation W limit to 10 percent of the bank's capital stock and surplus the amount of transactions from a single affiliate, and to 20 percent the amount of transactions from all affiliates (BdofGov 2008d). At the time of the first, GM had yet to divest from GMAC and thus, GM was considered an affiliate of GMAC Bank. As noted above (see Background) GMAC's interconnection with GM was significant.

The first exemption covered consumer loans. It permitted GMAC Bank to "lend to consumers to enable them to purchase automobiles from unaffiliated dealers in the United States that obtain floorplan financing from affiliates of GMAC Bank" (BdofGov 2008d).

On December 24, 2008, the Fed granted the first exemption, after consultation with the FDIC, noting that it would "benefit the public because it would allow GMAC Bank to extend credit to a greater number of retail customers". Furthermore, the Fed stated that the exemption would "provide an important source of financing for U.S. retail purchases of GM vehicles from independent dealers and avoid further disruption in the credit market for such purchases" (BdofGov 2008d). The Congressional Oversight Panel noted that, "While the Board historically has required a parent company to provide a collateralized guarantee when it transfers assets to an affiliate, it did not obligate GMAC to provide collateral here because 'GMAC's financial position will be strengthened by an additional equity investment by Treasury.'' As a result, the Board determined that 'Treasury's support helps ensure that GMAC will be in a position to honor its obligations under the guarantee'" (COP 2010b2010).

The second exemption in May 2009 covered both consumer loans and loans to dealers. It permitted GMAC Bank to "lend to consumers to enable them to purchase automobiles from unaffiliated dealers in the United States that obtain floorplan financing from Bank or affiliates of Bank ("Retail Loans") and to provide floorplan financing to unaffiliated dealers ("Dealer Loans") to purchase automobiles from General Motors Corporation" (BdofGov 2009b).

Treasury's auto team believed the loans to dealers were not very risky, but FDIC staff expressed concerns about funding them through the insured bank (Rattner 2010, p. 171). (As noted, the FDIC was also hesitant to extend the TLGP guarantee to GMAC.) Sheila Bair, Chair of the FDIC at the time, notes in her memoir that she told Treasury she would reject GMAC's second 23A waiver and the TLGP guarantee unless the Treasury increased the FDIC's credit line and the administration supported legislation to increase the FDIC's ability to demand loss-sharing from the biggest banks. "On May 20, 2009, legislation was enacted with the authority that we needed, and we followed through on our end by agreeing to the 23A waiver and guaranteeing about $7 billion in GMAC debt [through the TLGP program]" (Bair 2013, 176-180).

8. In exchange for its capital injections, Treasury acquired GMAC preferred shares and warrants to purchase common shares.

The auto manufacturers granted to the collateral agent, Citibank, a continuing first priority security interest in their pledged collateral in order to secure the Special Purpose Vehicles' financial obligations to the secured parties (Citi and Treasury 2009)

9. Treasury received warrants as a way to add value for taxpayers.

With each Treasury investment in GMAC, the Treasury was issued stock warrants. These warrants were exercised immediately each time.

10. In conjunction with GMAC's converting to a BHC, Treasury also financed GM's purchase of GMAC equity.

To ensure that GMAC met the capital level required by the BHC conversion, and in addition to the direct capital injection, Treasury agreed to make a loan to GM for up to $1 billion to purchase GMAC shares. GM ultimately borrowed $884 million from the Treasury to participate (Treasury 2009b). The loan agreement, dated January 16, 2009, noted that GM's obligations to the Treasury could be satisfied by GM's transfer of the purchased GMAC common shares to Treasury (COP 2010). Treasury exercised that right in May 2009, acquiring the additional GMAC shares (Ally Financial 2012).

11. Treasury required certain operational restrictions from GMAC as part of the capital injections.

In addition to certain ownership and management changes required as a condition to converting to a BHC, GMAC was required to comply with certain terms and conditions under the Treasury capital injections. These included restrictions on: stock repurchases, dividends, and executive compensation, and expense policy requirements similar to those Treasury had required from GM (SIGTARP 2009).

12. Treasury did not require GMAC to submit a viability plan, as it had for the automakers., or specifically require a strategy to deal with ResCap.

It is not clear from public documents whether the government considered requiring GMAC to restructure its holding in ResCap prior to the provision of government support. The two companies were closely connected. In addition to holding ResCap's equity, GMAC's 2008 10-K noted it still had $4.1 billion in secured financing arrangements with ResCap and $500 million of ResCap notes as of January 31, 2009, after the debt restructuring. An accelerated bankruptcy would have been difficult and costly to GMAC. "We have extensive financing and hedging arrangements with ResCap, which could be at risk of nonpayment if ResCap were to file for bankruptcy… In addition, should ResCap file for bankruptcy, our investment related to ResCap's equity position would likely be reduced to zero. Based on January 31, 2009, balances, this would result in a $3.1 billion charge to our investment in ResCap." (GMAC LLC 2009a, p.15).

In 2010, GMAC's CEO described the company's strategy toward ResCap at a COP hearing: "[T]he focus of our activities has been… to quantify the risk in ResCAP, to ring-fence that risk, and over time, to minimize that risk so that GMAC is freed from that burden, going forward." He also alluded to systemic risk issues, noting "the important role of ResCAP as the fifth largest mortgage servicer to three million homeowners with $376 billion of outstanding mortgages" (COP 2010a).

Following the capital injection, GMAC transferred mortgages from Ally Bank to ResCap, COP noted. "With the capital contribution in Ally Bank, GMAC purchased high-risk mortgage assets at 'fair value' of $1.4 billion, resulting in a pre-tax charge of $1.3 billion. GMAC then contributed these high-risk assets to ResCap" (COP 2010b, p.44). Another expert witness told the COP: "Ally Bank wrote down a lot of assets, moved them to ResCAP, because they want to isolate the bank from the bad things that are going on at ResCAP" (COP 2010a).

13. Treasury directed part of its second capital injection into GMAC to support the broader auto industry stabilization plan.

The second capital injection, in May 2009, included $4 billion to support GMAC's acquisition of Chrysler Financials' floorplan financing work with Chrysler. The Congressional Oversight Panel indicated that this acquisition was a small addition to GMAC's already sizable $26.5 billion in wholesale automobile loans (COP 2010). The Treasury pledged to support GMAC by providing financing to Chrysler, pursuant to which Chrysler would transfer the funds to the Dealer LLC which would be used solely to reimburse GMAC for losses that may be incurred in connection with the agreement (Treasury 2009).

14. Treasury set the timeline for their sale of shares in GMAC to "as soon as practicable" while minimizing financial market and economic impacts.

Regarding the wind down of Treasury's investments in GMAC, COP noted, "the goal is to dispose of the government's interests as soon as practicable...and in a timely and orderly manner that minimizes financial market and economic impact" (COP 2010b2010). In congressional testimony Treasury representatives outlined a number of steps GMAC needed to take before Treasury divested of its shares in GMAC, including: (1) refinancing its debt, (2) increase balance sheet liquidity, (3) gain access to the third-party credit markets, (4) bring down the cost of capital, (5) hire good staff, (6) support and expand a retail bank, (7) contain ResCap, and (8) prepare for an IPO. The representatives indicated that since an IPO would require the company to be on a path to profitability, Treasury may be required to hold onto the shares longer than anticipated (COP 2010).

The final preferred shares that Treasury owned were sold in March of 2011 (U.S. Treasury 2011b). The wind down of the Treasury's common equity shares began in January 2010 and ended in December 2014 (Nygaard n.d.).

III. Evaluation

GMAC accessed multiple programs at the Fed, the FDIC, and the Treasury. Each of the agencies saw a positive return from GMAC's use of their programs either through administrative fees or sale of GMAC shares (see the Outcome section for details). GMAC's return to profitability in the first quarter of 2010 (GMAC Financial 2010) and access to public funding markets suggests that the programs, as a whole, provided enough support for GMAC to stand on its own.

There have not been any academic reviews of the government's interactions with GMAC. However, there was one useful, public commentary in a March 2010 Congressional Oversight Panel report. The executive summary outlines the underlying purpose of GMAC's rescue: "There is no doubt that Treasury's actions to preserve GMAC played a major role in supporting the domestic automotive industry." They noted that "industry analysts and market participants who were consulted by the Panel overwhelmingly agreed that GM and Chrysler were heavily reliant on GMAC and Chrysler Financial" (COP 2010). The Panel's implication was that without GMAC, it is unlikely that GM and Chrysler would have been able to restructure and achieve financial viability.

However, without questioning the government's decision to invest in GMAC, the Panel suggested that there might have been missed opportunities "to increase accountability and better protect taxpayers' money" (COP 2010). The Panel suggested that other solutions existed that may have been considered yet were rejected. Notably, it says that the Treasury failed to design a restructuring of GMAC and did not require the firm to draft a detailed viability plan or provide details about its use of taxpayer funds. It's unclear whether these were actually considered and rejected. With respect to a possible bankruptcy, which seems to have been considered and rejected by Treasury as not effective given the potential bankruptcies of GM and Chrysler, the Panel was "unconvinced" (COP 2010).

The Panel also concluded that Treasury also did not "provide the public with much information" and worried about the "fundamentally illiquid" investment made in GMAC, a private company (COP 2010). As a 2015 Congressional Research Service noted, the decision to make (or switch to) common equity investments meant that the Treasury took on additional risk (Webel and Canis 2015). In 2014, when the final shares were sold for a profit, it was apparent the risk had paid off. However, at the time of the investment this was far from a sure bet.

A report by the Special Inspector General for TARP (SIGTARP) in 2013 noted that "GMAC's TARP assistance was also markedly different [than the assistance to the auto manufacturers] because Treasury never required GMAC to submit a viability plan outlining how it would resolve substantial liabilities that had led to historic losses" (SIGTARP 2013). The report hypothesizes that the difference in treatment was due to Treasury's uncertainty regarding how to handle the subprime mortgage component of GMAC's business.

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V. Key Program Documents

Summary of Program

(COP 2010) The Unique Treatment of GMAC under the TARP
Congressional Oversight Panel analysis of the use of TARP funds in the support of GMAC and Chrysler Financial. Analysis centers on GMAC but also covers Chrysler Financial in spring 2009.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/cop_report_20100310.pdf.

(COP 2011) An Update on TARP Support for the Domestic Automotive Industry
Congressional Oversight Panel report updating analysis and recommendations related to the creation, implementation, and issues raised by the automotive bailout.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/cop_report_20110113.pdf.

(Klier and Rubenstein 2012) Detroit back from the brink? Auto industry crisis and restructuring, 200811
Article from the Federal Reserve Bank of Chicago on the path of the automotive industry before 2008, the interventions during the financial crisis, and the changes the industry experienced afterward. https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/T.Klier_.pdf.

Lasting Implications of the General Motors Bailout: Hearing before the Subcommittee on Regulatory Affairs, Stimulus Oversight, and Government Reform, June 22, 2011
Statements by various stakeholders on the restructuring of GMAC and GM.

https://ypfs.som.yale.edu/library/lasting-implications-general-motors-bailout-hearing-subcommittee-regulatory-affairs.

Obama Administration New Path to Viability for GM & Chrysler (March 30, 2009)
Summary of Determinations of Viability for Chrysler and GM as well as the government framework for restructuring going forward.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/autoFactSheet_1.pdf.

Oversight of TARP Assistance to the Automobile Industry: Field Hearing Before the Congressional Oversight Panel, July 27, 2009
Statements by various stakeholders in the automotive restructuring.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/cop_hearing_20090727.pdf.

(SIGTARP 2009) SIGTARP April 2009 Quarterly Report to Congress____
Government watchdog report on the progress of TARP eight months into the program's implementation. Contains helpful tables and summaries of government programs under the TARP aegis.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/April2009_Quarterly_Report_to_Congress.pdf.

(SIGTARP 2014) SIGTARP January 2014 Quarterly Report to Congress
G*overnment watchdog report on the progress of TARP. Contains helpful tables and summaries of government programs under the TARP aegis.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/January_29_2014_Report_to_Congress.pdf.

SIGTARP January 2015 Quarterly Report to Congress
G*overnment watchdog report on the progress of TARP. Contains helpful tables and summaries of government programs under the TARP aegis.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/January_28_2015_Report_to_Congress.pdf.

(Treasury 2011b) Troubled Asset Relief Program: Three Year Anniversary Report
Government watchdog report on the progress of TARP. Contains helpful tables and summaries of government programs under the TARP aegis.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/TARP%20Three%20Year%20Anniversary%20Report.pdf.

Troubled Asset Relief Program: Two Year Retrospective
G*overnment watchdog report on the progress of TARP. Contains helpful tables and summaries of government programs under the TARP aegis.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/fcic-docs/2010-10-10%20TARP%20Two%20Year%20Retrospective.pdf.

Troubled Asset Relief Program: Four Year Retrospective

Government watchdog report on the progress of TARP. Contains helpful tables and summaries of government programs under the TARP aegis.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/TARP%20Four%20Year%20Retrospective%20Report.pdf.

(Webel and Canis 2015) Government Assistance for GMAC/Ally Financial: Unwinding the Government Stake
Congressional Research Service analysis of the GMAC interventions and the government's efforts at exit.
https://ypfs.som.yale.edu/library/government-assistance-gmacally-financial-unwinding-government-stake.

Legal/Regulatory Guidance

(BdofGov 2008d) Letter from Robert deV. Frierson, Deputy Secretary of the Board, to Richard K. Kim, Esq., Wachtell, Lipton, Rosen & Katz
Fed Board letter outlining the expectations of GMAC if the Fed were to grant it exemption under Section 23A and Regulation W.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/20081224.pdf.

(BdofGov 2008e) Order Approving Formation of Bank Holding Companies and Notice to Engage in Nonbanking Activities
Fed order approving the conversion of GMAC from industrial loan corporation to bank holding company.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/orders20081224a1.pdf.

FDIC Approves GMAC Financial Services Participation in TLGP
Press release announcing that the FDIC would allow GMAC to participate in the TLGP.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/FDIC_%20Press%20Releases%20-%20PR-73-2009%205_21_2009.pdf.

Regulation W Special Analysis: Impact on National Bank Community Development Corporations
Office of the Comptroller of the Currency reporting on the implications of national bank investment in community development corporations. This document also contains a short summary of Regulation W and how it functions.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/RegWSpecialAnalysis_CDCs.pdf.

Securities Purchase Agreement (December 29, 2008)
Agreement executing a five-billion-dollar preferred shares capital injection for GMAC.
https://ypfs.som.yale.edu/library/securities-purchase-agreement-between-united-states-department-treasury-and-gmac-llc.

Securities Purchase Agreement (May 2009)
Agreement under which Treasury injected $7.5 billion into GMAC.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/GMAC%20May%202009.pdf.

(Treasury 2009b) Loan and Security Agreement By and Between General Motors Corporation as Borrower and The United States Department of The Treasury as Lender
Agreement where Treasury lent General Motors one-billion dollars for the automaker to inject GMAC with more capital.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Redacted%20LSA%20and%20Amendment%20and%20Termination%2001-16-09_1.pdf.

Press Releases/Announcements

(Ally Financial 2010a) Ally Financial Statement on New Corporate Brand
Press release announcing that GMAC would now be known as Ally Financial Inc.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/2010-05-10-Ally-Financial-Statement-on-New-Corporate-Brand.pdf.

(GMAC Financial 2008a) GMAC Files Application with Federal Reserve to Become Bank Holding Company
GMAC press release announcing that the bank intended to convert itself to being a bank holding company from being an industrial loan corporation. It also describes some of the reasons why GMAC thought the maneuver would bolster its business and GMAC's attempts to issue more capital.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/GMAC%20Files%20Application%20With%20Federal%20Reserve%20to%20Become%20Bank%20Holding%20Company%20-%20Nov%2020,%202008.pdf.

(GMAC Financial 2008b) GMAC Announces That the Results of Its Exchange Offers Are Insufficient to Meet Regulatory Capital Requirements To Become a Bank Holding Company
P*ress release announcing that there is not enough demand for new GMAC stock for it to get the capital needed for the Fed to accept a bank holding company conversion from ResCap noteholders. It would be extending the deadlines for participation in the exchange offer accordingly.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/2008-12-10-GMAC-Announces-That-the-Results-of-Its-Exchange-Offers-Are-Insufficient-To-Meet-Regulatory-Capital-Requirements-To-Become-a-Bank-Holding-Company.pdf.

GMAC Financial Services Bank Holding Company Application Approved by Federal Reserve
Announcement that the Fed would allow GMAC to become a bank holding company.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/2008-12-24-GMAC-Financial-Services-Bank-Holding-Company-Application-Approved-by-Federal-Reserve.pdf.

GMAC Receives Significant Participation and Extends Early Delivery Time of its Notes Exchange Offers

GMAC announcement that capital raising was now going better. It also discusses why GMAC needed more capital.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/2008-12-16-GMAC-Receives-Significant-Participation-and-Extends-Early-Delivery-Time-of-its-Notes-Exchange-Offers.pdf.

(Massad 2012) Putting Taxpayers in a Stronger Position to Continue Recovering Their Investment in Ally Financial
Treasury blog post by then–assistant secretary of Treasury for financial stability Tim Massad discussing the impact of ResCap's Chapter 11 filing on taxpayers' ability to recover their investment.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Putting%20Taxpayers%20in%20a%20Stronger%20Position%20to%20Continue%20Recovering%20Their%20Investment%20in%20Ally%20Financial.pdf.

(Obama 2009a) Remarks by the President on the American Automotive Industry, 3/30/09
Speech by President Obama announcing the results of the government evaluation of the auto companies' viability. It also charted a path forward for the auto restructuring.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Remarks%20by%20the%20President%20on%20the%20American%20Automotive%20Industry,%203_30_09%20_%20whitehouse.gov_.pdf.

(Obama 2009b) Remarks by the President on the General Motors Restructuring
Speech by President Obama announcing GM's bankruptcy and how GM's restructuring would be executed. It also demonstrates the US government's philosophy as a corporate shareholder.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Remarks%20by%20the%20President%20on%20General%20Motors%20Restructuring%20_%20whitehouse.gov_.pdf.

Resurgence of the American Automotive Industry
Report making the case that the Obama Administration's actions rescuing GM and Chrysler were successful.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/auto_report_06_01_11.pdf.

TARP Tracker from November 2008 to July 2019: Auto tab
Tracker of outstanding government lending under the automotive programs of TARP.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/TARP%20Tracker%20from%20October%202008%20to%20December%202020.pdf.

(Treasury 2008b) Treasury Announces TARP Investment in GMAC
Press releases announcing the $5 billion capital injection by Treasury for GMAC.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Treasury%20Announces%20TARP%20Investment%20in%20GMAC.pdf.

(Treasury 2010b) Treasury Converts Nearly Half of Its Ally Preferred Shares to Common Stock

Treasury announcement that it will convert $5.5 billion in preferred shares into common shares as part of its exit from GMAC/Ally.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Treasury%20Converts%20Nearly%20Half%20of%20Its%20Ally%20Preferred%20Shares%20to%20Common%20Stock_0.pdf.

(White House 2008) President Bush Announces Plan to Aid Auto Makers
White House press release webpage on the first aid programs of 2008 for the auto industry under TARP.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/2008%2012%2019%20President%20Bush%20Announces%20Plan%20to%20Aid%20Auto%20Makers.pdf.

Media Stories

(Wall Street Journal 2009) A Look at Obama's Auto-Bailout Team
Wall Street Journal *article outlining the resumes of the main figures on the Treasury automotive rescue team.*
https://ypfs.som.yale.edu/library/look-obamas-auto-bailout-team.

Reports/Assessments

(COP 2010) The Unique Treatment of GMAC Under the TARP
Congressional Oversight Panel analysis of the use of TARP funds in the support of GMAC and Chrysler Financial. Analysis centers on GMAC but also covers Chrysler Financial in spring 2009.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/cop_report_20100310.pdf.

(COP 2011) An Update on TARP Support for the Domestic Automotive Industry
Congressional Oversight Panel report updating analysis and recommendations related to the creation, implementation, and issues raised by the automotive bailout.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/cop_report_20110113.pdf.

(Webel and Canis 2015) Government Assistance for GMAC/Ally Financial: Unwinding the Government Stake
Congressional Research Service analysis of the GMAC interventions and the government's efforts at exit.
https://ypfs.som.yale.edu/library/government-assistance-gmacally-financial-unwinding-government-stake.