

GMAC LLC  
Form 8-K  
October 25, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 8-K  
CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
October 25, 2006  
(Date of report; date of  
earliest event reported)  
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)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

**GMAC LLC PRELIMINARY THIRD QUARTER 2006 EARNINGS SUMMARY**

**More than \$14 billion in cash reserve balances**

**\$500 million in dividends to GM**

**51% sale to Cerberus consortium expected to close in Q4**

GMAC LLC (GMAC) reported a preliminary net loss of \$348 million in the third quarter of 2006, as compared to third quarter 2005 net income of \$675 million. The third quarter net loss includes non-cash goodwill impairment charges of \$695 million after-tax related to GMAC's Commercial Finance business.

Excluding these charges, GMAC earned \$347 million. The decrease in operating earnings was primarily driven by lower income at GMAC's mortgage business, ResCap, resulting from softness in the U.S. residential mortgage market, the unfavorable effect on income from GMAC's recently concluded debt tender offers as well as weakness in the Commercial Finance business.

GMAC continues to be a significant source of cash flow to General Motors Corp. (GM) through the payment of a \$500 million dividend in the third quarter, resulting in 2006 year-to-date cash dividends of \$1.9 billion. GMAC continues to maintain adequate liquidity with cash reserve balances at Sept. 30, 2006 of \$14.1 billion, comprised of \$9.1 billion in cash and cash equivalents and \$5.0 billion invested in marketable securities. GMAC has begun to prudently reduce high excess levels of cash to more moderate levels, reflecting increased access to liquidity.

Net income for Automotive Finance was \$137 million, down \$27 million from \$164 million earned in the same period in the prior year. These results include an expense of \$135 million related to GMAC's third quarter offer to repurchase \$1 billion of zero coupon bonds, which will be positive to future period earnings as this debt was among GMAC's most expensive. Automotive Finance results otherwise benefited from an increase in net financing revenue as a result of strong retail financing penetration as well as lower provisions for credit losses.

ResCap's net income was \$76 million in the third quarter of 2006, down from \$280 million earned in the third quarter of 2005. The decrease in earnings was the result of a number of factors in ResCap's U.S. residential mortgage business. In particular, competitive pricing pressures negatively impacted margins, which led to lower gains despite year-over-year increases in production. Results were also affected by higher credit provisions resulting from

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increases in delinquencies, lower net interest margins as a result of a flatter yield curve, and a decrease in net servicing income due to the effect of lower long-term rates on expected prepayments of mortgages. Mortgage originations were \$51.5 billion for the third quarter of 2006, representing a slight increase from \$51.3 billion in the same period in the prior year.

GMAC's Insurance operations experienced record quarterly net income of \$191 million in the third quarter of 2006, up \$102 million from earnings of \$89 million in the third quarter of 2005, primarily attributable to a combination of favorable loss performance and higher capital gains. In addition, GMAC Insurance maintained a strong investment portfolio, with a market value of \$8.0 billion at September 30, 2006, including unrealized capital gains of \$604 million, net of tax.

Excluding the goodwill impairment charge, GMAC's Other segment, which includes the Commercial Finance business unit and GMAC's equity investment of approximately 22 percent in Capmark Financial Group Inc. (Capmark), incurred an operating loss of \$57 million as compared to \$142 million earned in the same period last year. Part of the third quarter decline relates to the change in ownership of Capmark following the first quarter sale of approximately 78% of GMAC's commercial mortgage business. As a result, the third quarter income includes the earnings on GMAC's equity share of Capmark compared to a year ago when Capmark was wholly owned and fully consolidated in GMAC's results. In addition, the Other segment third quarter 2006 results were negatively affected by higher credit provisions at Commercial Finance, mostly related to the workout portfolio.

The goodwill impairment charge of \$695 million at Commercial Finance was the result of GMAC's third quarter impairment test which was triggered outside the normal fourth quarter cycle as the business experienced attrition of key personnel around the middle of the year. The charge results from lower cash flow projections due to the decision by new management at Commercial Finance to exit certain low return product lines and asset classes as well as a decline in expected factored sales volume growth.

The sale of 51 percent of GMAC equity to a consortium of investors led by Cerberus Capital Management is expected to close in the fourth quarter of this year. In addition to continuing to enable GMAC to support the sale of GM vehicles, the transaction is intended to support GMAC's strategic goal of a stable investment grade credit rating and profitable growth.

\* \* \* \*

In this earnings release and comments by GMAC LLC (GMAC) management, the use of the words expect, anticipate, estimate, forecast, initiative, objective, plan, goal, project, outlook, priorities, target, intend, could, may, would, could, should, believe, potential, continue, designed, impact, or the negative of any of these similar expressions is intended to identify forward-looking statements. All statements herein and in related charts and

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management comments, other than statements of historical fact, including without limitation, statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and GMAC's actual results may differ materially due to numerous important factors that are described in GMAC's most recent report on SEC Form 10-K, which may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K. Such factors include, among others, the following: the ability of General Motors ( GM ), our parent, to complete a transaction with a strategic investor regarding a controlling interest in GMAC while maintaining a significant stake in GMAC, securing separate credit ratings and low cost funding to sustain growth for GMAC and Residential Capital Corporation ( ResCap ) and maintaining the mutually beneficial relationship between GMAC and GM; significant changes in the competitive environment and the effect of competition in the corporation's markets, including on the corporation's pricing policies; our ability to maintain adequate financing sources; our ability to maintain an appropriate level of debt; the profitability and financial condition of GM, including changes in production or sales of GM vehicles, risks based on GM's contingent benefit guarantees and the possibility of labor strikes or work stoppages at GM or at key suppliers such as Delphi Corp.; funding obligations under GM and its subsidiaries' qualified U.S. defined benefits pension plans; restrictions on ResCap's ability to pay dividends and prepay subordinated debt obligations to us; changes in the residual value of off-lease vehicles; changes in U.S. government-sponsored mortgage programs or disruptions in the markets in which our mortgage subsidiaries operate; changes in our contractual servicing rights; costs and risks associated with litigation; changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; changes in the credit ratings of GMAC or GM; the threat of natural calamities; changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and changes in the existing or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations.

Investors are cautioned not to place undue reliance on forward-looking statements. GMAC undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other such factors that affect the subject of these statements, except where expressly required by law.

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**GMAC LLC**  
**Summary of Financial Data and Operating Statistics**

**Summary Statement of Income**

Quarter-ended September 30, ( <i>\$ in millions</i> )	<b>2006</b>	2005
Net financing revenue	<b>\$1,217</b>	\$1,619
Other revenue and income	<b>3,004</b>	3,288
<b>Total net revenue</b>	<b>4,221</b>	4,907
Total noninterest expense	<b>3,694</b>	3,856
Income before income tax expense	<b>527</b>	1,051
Income tax expense	<b>180</b>	376
Operating income	<b>347</b>	675
Goodwill impairment, net of tax	<b>695</b>	
<b>Net (Loss)/Income</b>	<b>(\$ 348)</b>	\$ 675

**Select Balance Sheet Data**

Period-ended, ( <i>\$ in millions</i> )	<b>September 30, 2006</b>	December 31, 2005	September 30, 2005
Cash reserve balances*	<b>\$ 14,100</b>	\$ 19,976	\$ 24,348
Finance receivables and loans held for sale, net **	<b>207,267</b>	203,734	194,731
Investments in operating leases	<b>35,756</b>	31,211	29,824
Total debt***	<b>249,510</b>	254,407	246,730

\* Includes cash invested in a portfolio of highly liquid marketable securities of \$4,975, \$4,180 and \$2,522 at September 30, 2006, December 31, 2005 and September 30, 2005, respectively

\*\* Net of allowance for

credit losses

\*\*\* Represents both secured and unsecured on-balance sheet debt such as commercial paper, medium-term notes, long-term debt and ABS debt

**Operating Statistics**

	<b>Third Quarter</b>		<b>Nine Months</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>GMAC's Worldwide Cost of Borrowing<sup>(1)</sup></b>	<b>6.17%</b>	5.01%	<b>5.79%</b>	4.63%
<b>GMAC Period-end Debt Spreads Over U.S. Treasuries (bps)</b>				
2-Year	<b>200</b>	310		
5-Year	<b>250</b>	535		
10-Year	<b>290</b>	550		
<b>GMAC Automotive Finance Operations</b>				
<b>Consumer credit (North America)</b>				
Net charge-offs as a % of managed receivables	<b>0.98%</b>	1.12%	<b>0.99%</b>	0.99%
Retail contracts 30 days delinquent as a % of average number of contracts outstanding <sup>(2)</sup>	<b>2.68%</b>	2.40%	<b>2.46%</b>	2.14%
<b>Retail penetration (U.S. only)</b>				
Total consumer volume (retail and lease) as a % of retail sales	<b>58%</b>	33%	<b>48%</b>	40%
SmartLease and SmartBuy as % of retail sales	<b>16%</b>	16%	<b>18%</b>	18%
<b>Off-lease vehicle remarketing (U.S. only)</b>				
Sales proceeds on scheduled lease terminations (36-month) per vehicle <sup>(3)</sup>	<b>\$12,569</b>	\$12,975	<b>\$ 13,267</b>	\$ 13,482
Off-lease vehicles terminated (# of units)	<b>67,910</b>	69,406	<b>206,466</b>	225,220
<b>ResCap</b>				
Origination volume (\$ billions)	<b>\$ 51.5</b>	\$ 51.3	<b>\$ 140.1</b>	\$ 130.3
Mortgage servicing rights, net (\$ millions)	<b>\$ 4,816</b>	\$ 3,763		
<b>GMAC Insurance Operations (\$ millions)</b>				
Combined Ratio <sup>(4)</sup>	<b>89.4%</b>	94.6%	<b>92.3%</b>	94.3%
Premiums/revenue written	<b>\$ 1,037</b>	\$ 1,053	<b>\$ 3,168</b>	\$ 3,209
Investment portfolio market value	<b>\$ 8,006</b>	\$ 7,800		
After-tax net unrealized capital gains	<b>\$ 604</b>	\$ 563		

(1) Calculated by dividing total interest expense



(excluding mark to market adjustments) by total debt. Q3 2006 and YTD 2006 excludes the negative impact to interest and discount expense of the \$1 billion debt tender offer.

- (2) Excludes accounts in bankruptcy.
  - (3) Prior period amounts based on current vehicle mix, in order to be comparable
  - (4) The combined ratio represents the sum of all reported losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.
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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GMAC LLC

(Registrant)

Dated: October 25, 2006

/s/ Sanjiv Khattri

Sanjiv Khattri  
Executive Vice President,  
Chief Financial Officer and Director

Dated: October 25, 2006

/s/ Linda K. Zukauckas

Linda K. Zukauckas  
Vice President and Corporate Controller