

SHOWROOM

JOURNAL

Reports: Treasury set to lend GMAC more money

NEW YORK—The Treasury Department is set to inject billions more dollars into GMAC Financial Services, according to media reports.

The Wall Street Journal said the Treasury Department will lend GMAC more than \$7 billion, a step towards making the company a quasi-federal entity with the power to offer low-interest loans to would-be buyers of GM and Chrysler cars. The Detroit News put the amount at \$7.5 billion.

The move comes after GMAC failed a bank "stress test" earlier this month, and the Treasury mandated that the company raise \$11.5 billion within six months. GMAC already received \$5 billion from the Troubled Asset Relief Program in December after the government approved its

application to become a bank. In exchange for the funding, the government received 5 million GMAC shares.

The additional funding gives the Treasury more control over GMAC, and it has already told the General Motors Corp. financing arm that it must extend its financing services to bankrupt Chrysler LLC.

GMAC, which reported a first-quarter loss of \$675 million, said earlier this month it has seen rising defaults in its auto finance division. That, combined with soured assets in its Residential Capital LLC mortgage unit, makes it more difficult for the company to raise the additional capital in the public markets.

It is unclear what additional mandates the

government will impose on GMAC.

Analysts suggest the infusion, along with the merger of Chrysler's financial arm would make GMAC a lending powerhouse that would give GM and Chrysler a huge advantage over their competitors—including Ford Motor Co., which hasn't taken any aid from the government. A US-controlled GMAC would have the power to offer better loan terms to buyers of GM and Chrysler cars and trucks as a way of steering business to the troubled automakers.

The banking arm of GMAC changed its name to Ally Bank last week, in an effort to repair its tarnished image and attract customers. (AP)



AP Photo

AP sources: Government mulls fresh aid to GMAC

by JEANNINE AVERSA
AP Writer

WASHINGTON—The government is close to providing auto lender GMAC with billions of dollars in fresh aid, according to people with familiar with the matter.

The cash infusion is intended to help the company make loans for General Motors Corp. and Chrysler LLC vehicles. The people spoke on condition of anonymity Thursday because they were not authorized to speak before a formal announcement by the Treasury Department.

The move would come after GMAC failed a bank "stress test" earlier this month, with the Treasury mandating the company raise \$11.5 billion within six months.

GMAC Financial Services received \$5 billion from the government's \$700 billion financial bailout program in December. In return, the government received 5 million shares of GMAC, and told the company it must extend

financing services to Chrysler, which filed for bankruptcy protection April 30.

The expected dose of new aid would mark the government's latest attempt to break through credit clogs and spur more lending, a necessary ingredient to lifting the country out of recession. It also would increase the government's role in bailing out the auto industry and give Treasury more control over GMAC.

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Analysts suggest fresh government aid, along with the merger of Chrysler's financial arm, would make GMAC a lending powerhouse that would give GM and Chrysler a huge advantage over their competitors. A US-controlled GMAC would have the power to offer better loan terms to buyers of GM and Chrysler cars and trucks as a way of steering business to the

troubled automakers.

GMAC, which reported a first-quarter loss of \$675 million, said earlier this week it has seen rising defaults in its auto finance division. That, combined with soured assets in its Residential Capital LLC mortgage

unit, makes it more difficult for the company to raise the additional capital from private investors.

The banking arm of GMAC changed its name to Ally Bank last week in an effort to repair its tarnished image and attract customers. ■

Lawmakers want more time for US auto dealers

by KEN THOMAS
AP Writer

WASHINGTON—Underperforming Chrysler dealers targeted for closing should get more time to wind down their car dealerships, lawmakers said Thursday, May 21 as several groups urged the Obama administration to reconsider its work to restructure the faltering US auto industry.

Sen. Kay Bailey Hutchison, R-Texas, pushed a proposal to give Chrysler dealers 60 days to close their dealerships instead of three weeks outlined by the company. Seeking leverage, her measure would prevent the Treasury Department from providing funding to an auto company that failed to give a dealership at least 60 days to wind down its operations and sell its inventory.

The widespread dealership closings were among several areas of concern for lawmakers, bondholders and consumer groups, who want the Obama administration to reevaluate its handling of General Motors and Chrysler.

Chrysler LLC, which has received \$5.8 billion in federal aid

and filed for bankruptcy, said last week it intends to close about a quarter of its 3,200 US dealerships by June 9. General Motors Corp. has told about 1,100 of its dealers—about 20 percent—that they would be dropped by late next year.

General Motors has received \$15.4 billion in government loans and faces a June 1 deadline to complete its restructuring or head into Chapter 11 bankruptcy reorganization.

Separately, consumer advocate Ralph Nader urged Congress to hold hearings into dealership and factory closures at Chrysler and GM.

"If GM goes into bankruptcy ... what will be launched would be a conclusive Death Star to tens of thousands of jobs, thousands of small businesses and adverse effects to hundreds of communities around the country," Nader said. "Congress is entitled to ask, 'Does this have to happen?'"

res under the offer, which expires next week. But a committee representing the bondholders has sought a 58 percent ownership stake. ■

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