



Update: GMAC Demand Notes – The New Risks (12/11/08)

GMAC has indicated it is falling well short of its stated goal to get current holders of its bonds to redeem those securities for new notes and preferred stock. The deadline for this redemption offer is 5:00 PM EST December 12, 2008. The effort has raised only \$8.3 billion so far. GMAC needs to raise \$30 billion in capital in order to meet the requirements to become a bank holding company. This would allow the unit to gain access to the Troubled Asset Relief Program (TARP) - the \$700 billion in bailout funds made available to Wall Street firms and banks. GMAC would also gain access to the Federal Reserve's discount window.

Without access to these additional sources of capital, GMAC's already troubled operations would face further difficulty. The unit's traditional sources of revenue, originating car loans and mortgage loans, has essentially come to a halt recently. According to a company statement "If GMAC is unable to successfully convert to a bank holding company ... by December 31, 2008, it would have a near-term material adverse effect on GMAC's business, results of operations, and financial position."

The risks for GMAC Demand Notes were discussed in our special report in June of this year, "[GMAC Demand Notes – The New Risks](#)". These new developments, relative to current business and economic conditions, raise further concerns about the level of financial distress at GMAC.

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