

GAO Highlights

Highlights of [GAO-14-6](#), a report to congressional committees

Why GAO Did This Study

As part of its Auto Industry Financing Program (AIFP), funded through the Troubled Asset Relief Program (TARP), Treasury committed \$67.3 billion to automaker GM and to Ally Financial, a large bank holding company whose primary business is auto lending. TARP's authorizing legislation mandates that GAO report every 60 days on TARP activities.

This report examines (1) the current financial condition of the two companies and (2) the status of Treasury's investments in the companies and its plans to sell those investments.

To examine the financial condition of GM and Ally Financial, GAO reviewed industry, financial, and regulatory data for the time period from the beginning of 2008 through the second quarter of 2013. GAO also reviewed Treasury reports and documentation detailing Treasury's investments in GM and Ally Financial and its proposed strategies for divesting itself of the investments, as well as both companies' financial filings and reports. In addition, GAO interviewed officials from Treasury, the Board of Governors of the Federal Reserve (Federal Reserve), GM, Ally Financial, and financial analysts who study GM and Ally Financial.

In its written comments on a draft of this report, Treasury describes the auto industry's recovery and the progress Treasury has made in unwinding its investments in GM and Ally Financial. Treasury, the Federal Reserve, GM, and Ally Financial also provided technical clarifications, which were incorporated, as appropriate.

View [GAO-14-6](#). For more information, contact A. Nicole Clowers at (202) 512-8678 or clowersa@gao.gov.

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TROUBLED ASSET RELIEF PROGRAM

Status of Treasury's Investments in General Motors and Ally Financial

What GAO Found

Since receiving federal assistance, General Motors Company (GM) has shown increasingly positive financial results. For each of the past 3 years, GM has reported profits, positive and growing operational cash flow, and a stable liquidity position. This improved financial performance has been reflected in GM's credit rating, as each of the three largest credit rating agencies has increased GM's long-term credit rating. However, GM faces continued challenges to its competitiveness. For instance, its market share of vehicles sold in North America remains smaller today than in 2008. Furthermore, GM continues to carry large pension liabilities.

With Treasury's investments in Ally Financial, the company's condition has stabilized. For example, Ally Financial's capital and liquidity positions have stabilized or improved over the last 4 years. Such improvements have been noted by the three largest credit rating agencies, each of which has upgraded Ally Financial's credit rating. However, Ally Financial's credit rating remains below investment grade and its mortgage unit—Residential Capital LLC—impacted the company's financial performance. The mortgage unit filed for bankruptcy in May 2012, and these proceedings are ongoing. Analysts with whom GAO spoke indicated that the resolution of its mortgage unit's bankruptcy will be a positive development for Ally Financial's future financial performance.

Status of Automotive Industry Financing Program, as of September 18, 2013 (in billions)

	Recovered by Treasury	+	Outstanding principal	=	Total TARP assistance
GM	\$35.21		\$15.82		\$51.03
Ally Financial	\$2.54		\$13.75		\$16.29
Total	\$37.75		\$29.57		\$67.32

Source: GAO analysis of Treasury data.

Note: Numbers may not sum because of rounding.

As of September 18, 2013, the Department of the Treasury (Treasury) has recovered about \$35.21 billion of its \$51 billion investment in GM and reduced its ownership stake from 60.8 percent to 7.32 percent. By early 2014, Treasury plans to fully divest its GM common shares through installments and estimates that it will lose at least 19 percent of its original investment. Treasury is working to exit from Ally Financial with a recent agreement to sell all of its preferred stock to the company for approximately \$6 billion, but Treasury faces challenges. As a regulated bank holding company, Ally Financial must be well capitalized to receive its regulator's approval to repurchase shares from Treasury. Earlier this spring, Ally Financial's tier 1 common ratio fell below the required 5 percent in the Federal Reserve's "stress test," and the Federal Reserve objected to the company's capital plan. Ally Financial also faces growing competition in the consumer lending and dealer financing sectors that could impact its financial performance in the future. The extent of Treasury's recoupment on its Ally Financial investment will depend on the ongoing financial health of the company.