

Ally said to be Shopping Mortgage Unit

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One of the financial institutions that are party to the reported settlement agreement with the attorneys general of the majority of the states is reportedly on the auction block. According to Bloomberg News, **Ally Financial** is talking with private equity firms about selling its mortgage unit, **Residential Capital LCC**, through a pre-package bankruptcy.

Any sale of the company would be complicated by its recent financial history. The company was founded as General Motors Acceptance Corporation (GMAC) in 1919 by General Motors as an intermediary to provide financing for the purchase of its autos. Over the years it expanded into other types of lending and into real estate brokerage and adopted the acronym as its brand name.

GMAC was hard hit by the housing crash and was one of the beneficiaries of Toxic Asset Relief Funds (TARP). In addition to the company's potential liabilities - a share of a reported \$25 billion to be paid to the states in the above referenced settlement deal represents merely one of the many suits arising out of the company's role in the financial crisis - the U.S. Treasury has a large stake in the parent company. According to the company's website, the Treasury owns 73.8 percent; other large stakeholders at less than 10 percent each are GM Trust, Cerberus and affiliates, and third party investors. In 2010, reportedly to distance the financial arm from the auto company, its name was changed to Ally.

The company reported a fourth quarter loss on a \$270 million charge to cover expected penalties from regulators.

According to Bloomberg, Ally has contacted Fortress Investment Cerberus Capital Management, Centerbridge Capital, and Leucadia National Corporation to see if they have any interest in a purchase. Bloomberg also said the company is seeking a sale in order to limit its liability. The pre-packaged bankruptcy would allow it to reach agreements with creditors and stakeholders before filing for court protection.

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