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## Residential Capital plans to cut back by nearly 60%

GMAC, the financing division of GM, announced Wednesday that it plans to dramatically cut its costs by eliminating 5,000 jobs from the payroll at its Residential Capital mortgage entity. 200 GMAC mortgage retail offices will be shut down as the plan moves forward.

Gina Proia, a spokeswoman for GMAC, said the cutbacks will eradicate roughly 57% of ResCap's personnel, leaving only 3,800 employees remaining with most of the cuts taking place within the year.

The announcement of such cutbacks hint towards increasing financial trouble for GMAC's owners, the private equity firm Cerberus Capital Management and the General Motors Corporation. In 2006 Cerberus bought 51 percent of GMAC from G.M., which owns the rest.

GMAC was hoping for a \$60 billion refinancing package in June that would reduce the chances of ResCap going under. ResCap itself has lost \$7.2 billion for seven uninterrupted quarters while GMAC has lost money in four consecutive quarters.

GMAC plans to continue offering mortgages directly "where there is a secondary market to sell the loans." They do not, however, intend on continuing to offer home loans via its Homecomings Financial broker channel. The company plans to reevaluate its options for GMAC Home Services, a division that assists companies in relocating their employees and "non-core" mortgage servicing businesses.