GMAC FINANCIAL SERVICES

200 Renaissance Center, Mail Code 482-B08-D98 Detroit, Michigan 48265 (313) 665-4327

August 29, 2002

Letter of Comment No: 32 File Reference: 1082-200 Date Received:

Ms. Suzanne Bielstein Director of Major Projects and Technical Activities director@fasb.org Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re: Proposed Interpretation:

Consolidation of Certain Special-Purpose Entities, an Interpretation of ARB No. 51

File Reference No. 1082-200

Dear Ms. Bielstein:

General Motors Acceptance Corporation (GMAC) would like to thank the Financial Accounting Standards Board (FASB) for this opportunity to comment on the Exposure Draft on Consolidation of Certain Special-Purpose Entities, a proposed Interpretation of ARB No. 51 (the Exposure Draft or the Interpretation). As a global financial services company with diverse lines of business, GMAC utilizes special purposes entities (SPEs) when the economics and sound business principles warrant the use. SPEs serve to improve liquidity, reduce funding costs and diversify risk. GMAC has structured their SPEs to meet the current consolidation guidance, with many of the SPEs carrying the "qualifying" designation pursuant to SFAS 140, and therefore appropriately accounted for off-balance sheet. With approximately \$140 billion in assets outstanding in sponsored SPEs, the Exposure Draft is of particular importance to GMAC.

GMAC supports the FASB's efforts to address the consolidation policy for SPEs. As contrasted with the SFAS 140 guidance for the transfer of financial assets to Qualifying SPEs (QSPEs), current accounting guidance for (non-qualifying) SPEs is fragmented across a series of loosely related accounting standards and interpretations issued by different standard setters, supplemented by actual practices. The result is that the guidance for these SPEs is arbitrary, unclear and somewhat inconsistent in terms of principles. With the enormous growth in the use of SPEs, we agree with the FASB for the need and importance of clarifying the accounting guidance for consolidation of SPEs.

Accordingly, we offer the following comments on the Exposure Draft for your consideration:

 We believe that it is critical that the FASB maintain the standards set by SFAS 140 for QSPEs. The isolation and components approach established under SFAS 140 are important accounting principles as it relates to the transfer of financial assets. We are encouraged that the FASB has affirmed SFAS 140's approach to QSPE non-consolidation for transferors and are optimistic that this affirmation will carry through to the final Interpretation.

In maintaining the principles set forth in SFAS 140, we believe that the Interpretation should allow non-transferors to a QSPE, who hold a variable interest, to be exempt from consolidation in the same manner that transferors are exempt. Many non-transferors currently must account for the variable interest that they hold on their balance sheet at fair value. Therefore it does not appear to be necessary, nor does it appear to be consistent with SFAS 140, for the Interpretation to apply to these non-transferors. In addition, maintaining this provision in the Exposure Draft will produce inconsistent financial reporting for two entities that hold the same variable interests.

Currently the Exposure Draft requires that for all SPEs created prior to the
issuance of the Interpretation, the provisions apply as of the beginning of the
first fiscal period after March 15, 2003, without any transition provisions for
existing structures. Since SPEs provide a substantial amount of liquidity to
the U.S. capital markets, the proposed aggressive implementation schedule
will potentially cause a severe disruption to overall market liquidity, as the
affected SPEs liquidate transactions to avoid immediate recognition of
previously derecognized structures.

Due to the complexity of the transactions and the multiple relationships that exist in SPE structures, the costs and effort to restructure existing SPEs will be substantial. These expenses will not only come in the form of contractual breakage costs, but more importantly in the form of increased financing costs, attributable to widening spreads resulting from the market disruption. The result will be that companies that entered into SPE arrangements in good faith and in accordance with the accounting standards in effect at the time will be penalized.

It is critical that the transition provisions give companies adequate time to unwind transactions in an orderly manner, thereby minimizing market disruption. Accordingly, it is GMAC's position that existing structures that comply with current accounting guidance be allowed to wind down during a transition period. During this period, the former consolidation accounting guidance would continue to apply to existing structures, as long as the SPE did not acquire any new purchase commitments after the effective date of the Interpretation. The accounting requirements of the new Interpretation would apply to any new purchase commitments entered into after the effective date.

This would allow the SPE to wind down as the existing asset purchase commitments terminate. However, the assets and liabilities and other activities of these SPEs would be disclosed consistent with the new disclosure provisions of the Interpretation. This transition approach would alleviate the burden of significant costs associated with restructuring or terminating existing structures and allow users to concentrate on structuring successor SPEs to comply with the new guidance. While we realize that our view on the transition provisions may be politically unpopular with those demanding immediate reform, GMAC feels that it is a more prudent and equitable approach in transitioning to the consolidation requirements of the Interpretation. We believe the Interpretation's increased disclosure requirements would bridge the gap created between old and new structures during this transition period.

- In analyzing variable interests and determining if consolidation is required, the Exposure Draft states that if no party holds a majority of an SPE's variable interests, then any party that has a significant variable interest that is significantly larger than any other party's must consolidate. The result is that an entity could be required to consolidate even though they do not have a controlling financial interest. The logic of this outcome does not seem rational. It is unclear as to why you could have a situation where there are five different parties holding other variable interests which would require consolidation because your variable interest is larger than any other party. However, assuming the same size of your variable interest, you would not consolidate when there is only one other party holding variable interests (because now your variable interest is not larger than the one other party). In both scenarios the amount of interest and control in the transaction is the same, but based on the number of other variable interest holders the resulting consolidation requirement is different. GMAC believes that consolidation should be required only by an enterprise that holds a majority of the variable interests in the SPE.
- Under the special consolidation provisions for SPEs that hold financial assets, one of the three conditions of significant financial support outlined in paragraph 23 is whether the SPE receives a fee that is not market based. Paragraph 19 establishes a presumption a fee is not market based unless the fee can be demonstrated to be comparable to fees in similar observable arm's length transactions. As currently drafted, paragraph 19 creates a rather difficult presumption to overcome and may lead to an inappropriate consolidation decision. It is our view that the application of this provision could result in consolidation of many SPEs (whose fees are in fact market based, but are not able to gather evidence to overcome the presumption) under paragraph 23, that would generally not be consolidated if evaluated under the more general provisions in paragraphs 18-21.

In practice, it is difficult to find "comparable fees in similar transactions". Each transaction and structure is unique to the needs of the entity, the services

being performed and the underlying collateral. As a result, it is not practical (and in some cases not possible) to obtain reliable market data of comparable transactions. Furthermore, by focusing on comparable transaction fees as the standard, the FASB is ignoring the fact that negotiations under competitive conditions can and will result in different fees (even if it is entirely attributable to the negotiation skills of the two parties). The end result of the presumption established in paragraph 19 is that the special provisions of paragraphs 22 and 23 are more onerous than the general variable interest provisions in paragraph 13. GMAC believes market-based fees should be defined as fees that have been set through the bargaining/negotiation between two parties under arm's length conditions. This definition will present a more reasonable standard that contemplates the uniqueness of individual transactions and parties.

- GMAC supports principles-driven accounting standards that can be applied broadly across a variety of transactions. It appears that the FASB has taken this approach in developing the Exposure Draft; however, the Interpretation as currently exposed could use some further clarification. Specifically, we believe the following areas need to be expanded:
 - The silo approach described in paragraph 17 needs to be expanded to clarify the practical application of the variable interest approach as it relates to transactions with multi-seller conduits.
 - GMAC believes that the FASB should clarify paragraph 15(e), which
 expands the concepts of related parties to enterprises that provide
 significant amounts of professional services. We do not have a clear
 understanding of how to apply this provision, and fear that if narrowly
 interpreted, it could have unintended implications.

GMAC appreciates this opportunity to comment; we are supportive of the FASB's efforts to provide definitive guidance on the consolidation of SPEs. We hope that you will consider our comments in finalizing the Interpretation. We are available to further discuss any of these matters.

Linda K. Zukauckas Controller and Chief Accounting Officer General Motors Acceptance Corporation

cc: Peter R. Bible Chief Accounting Officer General Motors Corporation