

GM FINANCED 50% OF CAR PURCHASES LAST YEAR; CAN ONLY FINANCE 6% NOW

Jeebus. This gives you a sense of why GM's in such dire straits:

GM's financing arm, GMAC, cannot effectively access the secondary markets today. With each passing day, it is less able to finance the sale of GM vehicles, either for dealers or for the public. One year ago, GMAC was able to provide either installment or lease financing for nearly half of GM retail sales. That number has fallen to 6% today. In addition, GMAC is no longer able to buy contracts for customers with a credit score under 700, which excludes roughly half the buying population. All of this has been especially toxic to GM sales in the past two months, with sales running about 40% behind year-ago levels. [my emphasis]

Just by way of comparison, Chrysler says that they give credit to 50% of Chrysler customers (though it doesn't say whether it has been able to maintain those numbers), and Ford says it gives credit to 4 million consumers last year, though doesn't say what percentage of sales its credit arm supports.

Imagine, though, that 100 customers walk in your door—and whereas last year, you would have been able to offer 50 of them credit, but can only offer 6 of them credit this year. That's gonna cut into your business—dramatically.

Incidentally, Ford talks in much more abstract terms about how the credit crunch is affecting its business.

The present credit environment also has severely limited the ability of the automotive finance companies like Ford Motor Credit Company to access the public debt and securitization markets, and is significantly impairing our ability to support dealer and consumer financing needs. Banks and investors are exhibiting an aversion to risk and a willingness to invest in only the highest-quality financing instruments, and preferably in government instruments or government guaranteed debt. This risk aversion has expanded to a level where it is challenging to find financial counterparties to transact even simple interest rate and currency swaps, further contributing to a significant slowing of U.S. economic activity. These issues have further constrained the cash available from Ford's normally profitable automotive finance company to support our automotive business.