

Taxpayers Funding High Interest Rates On Some Bank Accounts

You may have seen their ads and wondered out loud, "Who the heck is Ally Bank?" They apparently came out of nowhere and they are offering some of the highest interest rates available on savings accounts and CD's. If you are sitting on hoards of cash and wondering what to do with it, you probably find their ads appealing. You may change your tune however when you learn that Ally Bank probably wouldn't be able to offer those high interest rates if it hadn't received more than \$7 Billion in TARP money. Put another way, taxpayer dollars are funding those high rates.

Ally Bank is not as new as you might think. In fact, they are not new at all. Ally is actually GMAC's rebranded banking division. And GMAC is not the healthiest of banks.

The company has already taken two distributions from the government's TARP (Troubled Asset Relief Program) funds and is now set to take a third. That third distribution is likely to amount to somewhere between \$5 and \$6 Billion. Those are taxpayer dollars we are talking about.

It should also be noted that the US Government now owns 35% of GMAC. That number will climb even higher with the next distribution of funds.

GMAC is a large corporation and Ally Bank certainly isn't the beneficiary of all of the TARP money being channeled into the company. In fact, Ally is one of the brighter spots on GMAC's books. Even so, Ally wouldn't exist at all if the federal government hadn't stepped in to prop up GMAC. That means that the only way that the bank can offer their high interest rate is with governmentâ€¦ err, taxpayer fundedâ€¦ subsidies. This is troubling to say the least.

Just consider the fact that Ally is using taxpayer dollars to compete against other banks that didn't take TARP money and which didn't make the number of bad loans that GMAC did. Those "good banks" are being penalized because they made good business decisions. Then consider that the government owns a huge stake in GMAC. It is as if the government is now directly competing against private industry. This clearly means that the government is picking out which businesses will succeed and which will fail. It flies in the face of the free enterprise system which built this country.

And finally, consider the fact that even with billions of dollars of taxpayer money flowing into GMAC and other banks, many consumers and small businesses still can't get a loan or a mortgage modification. This is certainly not what Congress promised the American people when it forced the bank bailout bill down the throats of consumers.

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