

Ally Financial Inc.
Form 10-Q
November 04, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011, or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of

incorporation or organization)

38-0572512

(I.R.S. Employer

Identification No.)

200 Renaissance Center

P.O. Box 200, Detroit, Michigan

48265-2000

(Address of principal executive offices)

(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing for the past 90 days.

Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

At November 3, 2011, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

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ALLY FINANCIAL INC.

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Table of Contents**Item 1. Financial Statements****ALLY FINANCIAL INC.****CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
<i>(\$ in millions)</i>	2011	2010	2011	2010
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	\$ 1,682	\$ 1,656	\$ 4,981	\$ 4,891
Interest on loans held-for-sale	113	153	319	524
Interest on trading securities	4	5	10	12
Interest and dividends on available-for-sale investment securities	103	86	315	275
Interest-bearing cash	14	22	41	54
Operating leases	549	855	1,849	3,029
Total financing revenue and other interest income	2,465	2,777	7,515	8,785
Interest expense				
Interest on deposits	184	172	531	485
Interest on short-term borrowings	98	110	332	320
Interest on long-term debt	1,297	1,451	4,041	4,293
Total interest expense	1,579	1,733	4,904	5,098
Depreciation expense on operating lease assets	296	454	773	1,636
Net financing revenue	590	590	1,838	2,051
Other revenue				
Servicing fees	351	404	1,075	1,173
Servicing asset valuation and hedge activities, net	(471)	(27)	(663)	(181)
Total servicing income, net	(120)	377	412	992
Insurance premiums and service revenue earned	422	470	1,288	1,415
Gain on mortgage and automotive loans, net	83	326	290	863
Loss on extinguishment of debt		(2)	(64)	(123)
Other gain on investments, net	75	100	251	355
Other income, net of losses	141	186	610	441
Total other revenue	601	1,457	2,787	3,943
Total net revenue	1,191	2,047	4,625	5,994
Provision for loan losses	49	9	213	371
Noninterest expense				
Compensation and benefits expense	303	392	1,161	1,206
Insurance losses and loss adjustment expenses	190	229	620	664
Other operating expenses	772	1,092	2,460	2,806
Total noninterest expense	1,265	1,713	4,241	4,676
(Loss) income from continuing operations before income tax expense	(123)	325	171	947
Income tax expense from continuing operations	87	48	101	117
Net (loss) income from continuing operations	(210)	277	70	830
(Loss) income from discontinued operations, net of tax		(8)	(21)	166

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Net (loss) income	\$ (210)	\$ 269	\$ 49	\$ 996
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Statement continues on the next page.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**ALLY FINANCIAL INC.****CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
<i>(\$ in millions except per share data)</i>				
Net (loss) income attributable to common shareholders				
Net (loss) income from continuing operations	\$ (210)	\$ 277	\$ 70	\$ 830
Preferred stock dividends U.S. Department of Treasury	(133)	(257)	(400)	(643)
Preferred stock dividends	(67)	(70)	(194)	(212)
Impact of preferred stock amendment			32	
Net loss from continuing operations attributable to common shareholders (a)	(410)	(50)	(492)	(25)
(Loss) income from discontinued operations, net of tax		(8)	(21)	166
Net (loss) income attributable to common shareholders	\$ (410)	\$ (58)	\$ (513)	\$ 141
Basic weighted-average common shares outstanding	1,330,970	799,120	1,330,970	799,120
Diluted weighted-average common shares outstanding (a)	1,330,970	799,120	1,330,970	799,120
Basic earnings per common share				
Net loss from continuing operations	\$ (308)	\$ (63)	\$ (370)	\$ (31)
(Loss) income from discontinued operations, net of tax		(10)	(16)	208
Net (loss) income	\$ (308)	\$ (73)	\$ (386)	\$ 177
Diluted earnings per common share (a)				
Net loss from continuing operations	\$ (308)	\$ (63)	\$ (370)	\$ (31)
(Loss) income from discontinued operations, net of tax		(10)	(16)	208
Net (loss) income	\$ (308)	\$ (73)	\$ (386)	\$ 177

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss attributable to common shareholders for the three and nine months ended September 30, 2011 and the three months ended September 30, 2010, income attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share. The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**ALLY FINANCIAL INC.****CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)**

<i>(\$ in millions)</i>	September 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,517	\$ 1,714
Interest-bearing	14,885	9,956
Total cash and cash equivalents	16,402	11,670
Trading securities	503	240
Investment securities	13,981	14,846
Loans held-for-sale, net (\$3,204 and \$6,424 fair value-elected)	8,745	11,411
Finance receivables and loans, net		
Finance receivables and loans, net (\$841 and \$1,015 fair value-elected)	108,712	102,413
Allowance for loan losses	(1,621)	(1,873)
Total finance receivables and loans, net	107,091	100,540
Investment in operating leases, net	9,052	9,128
Mortgage servicing rights	2,663	3,738
Premiums receivable and other insurance assets	2,026	2,181
Other assets	21,493	18,254
Total assets	\$ 181,956	\$ 172,008
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 2,704	\$ 2,131
Interest-bearing	41,622	36,917
Total deposit liabilities	44,326	39,048
Short-term borrowings	5,933	7,508
Long-term debt (\$831 and \$972 fair value-elected)	90,546	86,612
Interest payable	1,712	1,829
Unearned insurance premiums and service revenue	2,757	2,854
Reserves for insurance losses and loss adjustment expenses	690	862
Accrued expenses and other liabilities (\$28 and \$ fair value-elected)	16,260	12,806
Total liabilities	162,224	151,519
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,287
Accumulated deficit	(6,918)	(6,410)
Accumulated other comprehensive income	42	259
Total equity	19,732	20,489
Total liabilities and equity	\$ 181,956	\$ 172,008

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**ALLY FINANCIAL INC.****CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)**

The assets of consolidated variable interest entities that can be used only to settle obligations of the consolidated variable interest entities and the liabilities of these entities for which creditors (or beneficial interest holders) do not have recourse to our general credit were as follows.

<i>(\$ in millions)</i>	September 30, 2011	December 31, 2010
Assets		
Loans held-for-sale, net	\$ 9	\$ 21
Finance receivables and loans, net		
Finance receivables and loans, net (\$841 and \$1,015 fair value-elected)	38,152	33,483
Allowance for loan losses	(245)	(238)
 Total finance receivables and loans, net	37,907	33,245
Investment in operating leases, net	4,356	1,065
Other assets	3,207	3,279
 Total assets	\$ 45,479	\$ 37,610
 Liabilities		
Short-term borrowings	\$ 811	\$ 964
Long-term debt (\$831 and \$972 fair value-elected)	31,864	24,466
Interest payable	14	15
Accrued expenses and other liabilities	291	397
 Total liabilities	\$ 32,980	\$ 25,842

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**ALLY FINANCIAL INC.****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)****Nine months Ended September 30, 2011 and 2010**

(\$ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity	Comprehensive income (loss)
Balance at January 1, 2010, before cumulative effect of adjustments	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,630)	\$ 460	\$ 20,839	
Cumulative effect of a change in accounting principle, net of tax (a)				(57)	4	(53)	
Balance at January 1, 2010, after cumulative effect of adjustments	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,687)	\$ 464	\$ 20,786	
Capital contributions	9					9	
Net income				996		996	\$ 996
Preferred stock dividends paid to the U.S. Department of Treasury				(643)		(643)	
Preferred stock dividends				(212)		(212)	
Dividends to shareholders				(8)		(8)	
Other comprehensive loss					(25)	(25)	(25)
Other (b)				74		74	
Balance at September 30, 2010	\$ 13,838	\$ 10,893	\$ 1,287	\$ (5,480)	\$ 439	\$ 20,977	\$ 971
Balance at January 1, 2011	\$ 19,668	\$ 5,685	\$ 1,287	\$ (6,410)	\$ 259	\$ 20,489	
Net income				49		49	\$ 49
Preferred stock dividends paid to the U.S. Department of Treasury				(400)		(400)	
Preferred stock dividends				(194)		(194)	
Series A preferred stock amendment (c)			(32)	32			
Other comprehensive loss					(217)	(217)	(217)
Other (b)				5		5	
Balance at September 30, 2011	\$ 19,668	\$ 5,685	\$ 1,255	\$ (6,918)	\$ 42	\$ 19,732	\$ (168)

(a) Cumulative effect of change in accounting principle, net of tax, due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

(b) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009 through June 30, 2009.

(c) Refer to Note 16 to the Condensed Consolidated Financial Statements for further details.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**ALLY FINANCIAL INC.****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)**

Nine months ended September 30, (\$ in millions)	2011	2010
Operating activities		
Net income	\$ 49	\$ 996
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	2,100	3,246
Other impairment	8	58
Changes in fair value of mortgage servicing rights	1,327	1,466
Provision for loan losses	211	397
Gain on sale of loans, net	(299)	(861)
Net gain on investment securities	(275)	(357)
Loss on extinguishment of debt	64	123
Originations and purchases of loans held-for-sale	(42,467)	(48,828)
Proceeds from sales and repayments of loans held-for-sale	44,417	55,046
Net change in:		
Trading securities	(339)	(22)
Deferred income taxes	(99)	(186)
Interest payable	(99)	176
Other assets	(324)	976
Other liabilities	1,374	698
Other, net	133	(1,388)
Net cash provided by operating activities	5,781	11,540
Investing activities		
Purchases of available-for-sale securities	(15,020)	(15,902)
Proceeds from sales of available-for-sale securities	12,093	13,380
Proceeds from maturities of available-for-sale securities	3,725	3,646
Net increase in finance receivables and loans	(10,705)	(12,422)
Proceeds from sales of finance receivables and loans	2,868	2,554
Purchases of operating lease assets	(5,332)	(2,405)
Disposals of operating lease assets	4,862	6,719
Proceeds from sale of business units, net (a)	50	(331)
Other, net	633	1,158
Net cash used in investing activities	(6,826)	(3,603)

Statement continues on the next page.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**ALLY FINANCIAL INC.****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)**

Nine months ended September 30, (\$ in millions)	2011	2010
Financing activities		
Net change in short-term borrowings	(1,263)	(4,856)
Net increase in bank deposits	4,454	4,776
Proceeds from issuance of long-term debt	36,900	32,235
Repayments of long-term debt	(34,576)	(43,827)
Dividends paid	(619)	(862)
Other, net	962	1,255
Net cash provided by (used in) financing activities	5,858	(11,279)
Effect of exchange-rate changes on cash and cash equivalents	(45)	501
Net increase (decrease) in cash and cash equivalents	4,768	(2,841)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	(36)	642
Cash and cash equivalents at beginning of year	11,670	14,788
Cash and cash equivalents at September 30,	\$ 16,402	\$ 12,589
Supplemental disclosures		
Cash paid for		
Interest	\$ 4,303	\$ 4,055
Income taxes	454	377
Noncash items		
Increase in finance receivables and loans due to a change in accounting principle (c)		17,990
Increase in long-term debt due to a change in accounting principle (c)		17,054
Transfer of mortgage servicing rights into trading securities through certification	266	
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	179	437

(a) The amounts are net of cash and cash equivalents of \$88 million at September 30, 2011, and \$1.1 billion at September 30, 2010, of business units at the time of disposition.

(b) Cash flows of discontinued operations are reflected within operating, investing, and financing activities in the Condensed Consolidated Statement of Cash Flows. The cash balance of these operations is reported as assets of operations held-for-sale on the Condensed Consolidated Balance Sheet.

(c) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Description of Business, Basis of Presentation, and Changes in Significant Accounting Policies

Ally Financial Inc. (formerly GMAC Inc. and referred to herein as Ally, we, our, or us) is a leading, independent, globally diversified, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We are also one of the largest residential mortgage companies in the United States. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (online and telephonic) banking market.

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

The Condensed Consolidated Financial Statements at September 30, 2011, and for the three months and nine months ended September 30, 2011, and 2010, are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) included in our Annual Report on Form 10-K for the year ended December 31, 2010, as filed on February 25, 2011, with the U.S. Securities and Exchange Commission (SEC).

Residential Capital, LLC

Residential Capital, LLC (ResCap), one of our mortgage subsidiaries, was negatively impacted by the events and conditions in the mortgage banking industry and the broader economy beginning in 2007. The market deterioration led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap's operations. ResCap is highly leveraged relative to its cash flow and previously recognized credit and valuation losses resulting in a significant deterioration in capital. ResCap may also be negatively impacted by exposure to representation and warranty obligations, adverse outcomes with respect to current or future litigation, fines, penalties, or settlements related to our mortgage-related activities and additional expenses to address regulatory requirements. ResCap is required to maintain consolidated tangible net worth, as defined, of \$250 million at the end of each month, under the terms of certain of its credit facilities. For this purpose, consolidated tangible net worth is defined as ResCap's consolidated equity excluding intangible assets. ResCap's consolidated tangible net worth, as defined, was \$331 million at September 30, 2011, and ResCap remained in compliance with all of its consolidated tangible net worth covenants. There continues to be a risk that ResCap may not be able to meet its debt service obligations, may default on its financial debt covenants due to insufficient capital, and/or may be in a negative liquidity position in future periods.

ResCap seeks to manage its liquidity and capital positions and explores initiatives to address its debt covenant compliance and liquidity needs including debt maturing in the next twelve months and other risks and uncertainties. ResCap's initiatives could include, but are not limited to, the following: continuing to work with key credit providers to optimize all available liquidity options; possible further reductions in assets and other restructuring activities; focusing production on conforming and government-insured residential mortgage loans; and continued exploration of opportunities for funding and capital support from Ally and its affiliates. The outcomes of most of these initiatives are to a great extent outside of ResCap's control resulting in increased uncertainty as to their successful execution.

During 2009 and 2010, we performed a strategic review of our mortgage business. As a result of this, we effectively exited the European mortgage market through the sale of our U.K. and continental Europe operations. We also completed the sale of certain higher-risk legacy mortgage assets and settled representation and warranty claims with certain counterparties.

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ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The ongoing focus of our Mortgage Origination and Servicing operations will be predominately the origination and sale of conforming and government-insured residential mortgages and mortgage servicing.

In the future, Ally and ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include Ally providing or declining to provide additional liquidity and capital support for ResCap; refinancing or restructuring some or all of ResCap's existing debt; the purchase or sale of ResCap debt securities in the public or private markets for cash or other consideration; entering into derivative or other hedging or similar transactions with respect to ResCap or its debt securities; Ally purchasing assets from ResCap; or undertaking corporate transactions such as a tender offer or exchange offer for some or all of ResCap's outstanding debt securities, asset sales, or other business reorganization or similar action with respect to all or part of ResCap and/or its affiliates. In this context, Ally and ResCap each typically consider a number of factors to the extent applicable and appropriate including, without limitation, its financial condition, results of operations, and prospects; ResCap's ability to obtain third-party financing; tax considerations; the current and anticipated future trading price levels of ResCap's debt instruments; conditions in the mortgage banking industry and general economic conditions; other investment and business opportunities available to Ally and/or ResCap; and any nonpublic information that ResCap may possess or that Ally receives from ResCap.

ResCap remains heavily dependent on Ally and its affiliates for funding and capital support, and there can be no assurance that Ally or its affiliates will continue such actions or that Ally will choose to execute any further strategic transactions with respect to ResCap or that any transactions undertaken will be successful.

Although our continued actions through various funding and capital initiatives demonstrate support for ResCap, there can be no assurances for future capital support. Consequently, there remains substantial doubt about ResCap's ability to continue as a going concern. Should we no longer continue to support the capital or liquidity needs of ResCap or should ResCap be unable to successfully execute other initiatives, it would have a material adverse effect on ResCap's business, results of operations, and financial position.

Ally has extensive financing and hedging arrangements with ResCap that could be at risk of nonpayment if ResCap were to file for bankruptcy. At September 30, 2011, we had \$1.9 billion in secured financing arrangements with ResCap of which \$1.2 billion in loans was utilized. At September 30, 2011, the hedging arrangements were fully collateralized. Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap's repayments of its financing facilities, including those with us, could be slower. In addition, we could be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap's obligations to us. It is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. In addition, should ResCap file for bankruptcy, our \$331 million investment related to ResCap's equity position would likely be reduced to zero. If a ResCap bankruptcy were to occur and a substantial amount of our credit exposure is not repaid to us, it could have an adverse impact on our near-term net income and capital position, but we do not believe it would have a materially adverse impact on Ally's consolidated financial position over the longer term.

Relationship and Transactions with General Motors Company

General Motors Company (GM), GM dealers, and GM-related employees compose a significant portion of our customer base, and our Global Automotive Services operations are highly dependent on GM production and sales volume. As a result, a significant adverse change in GM's business, including significant adverse changes in GM's liquidity position and access to the capital markets, the production or sale of GM vehicles, the quality or resale value of GM vehicles, the use of GM marketing incentives, GM's relationships with its key suppliers, GM's relationship with the United Auto Workers and other labor unions, and other factors impacting GM or its employees could have a significant adverse effect on our profitability and financial condition.

GM is no longer considered a related party for purposes of applicable disclosure within the Notes to Condensed Consolidated Financial Statements, as it beneficially owns less than 10% of the voting interests in Ally and does not control or have the ability to significantly influence the management and policies of Ally. In addition, the Federal Reserve has determined that GM is no longer considered an affiliate of Ally Bank.

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for purposes of Sections 23A and 23B of the Federal Reserve Act, which impose limitations on transactions between banks and their affiliates.

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ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Refer to Note 26 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K for a summary of related party transactions with GM during 2010.

Significant Accounting Policies

Earnings per Common Share

We compute earnings (loss) per common share by dividing net income (loss) (after deducting dividends on preferred stock) by the weighted-average number of common shares outstanding during the period. We compute diluted earnings (loss) per common share by dividing net income (loss) (after deducting dividends on preferred stock) by the weighted-average number of common shares outstanding during the period plus the dilution resulting from the conversion of convertible preferred stock, if applicable.

Refer to Note 1 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

Receivables – A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring (ASU 2011-02)

As of July 1, 2011, we adopted Accounting Standards Update (ASU) 2011-02, which amends Accounting Standards Codification (ASC) 310, *Receivables*. ASU 2011-02 clarifies which loan modifications constitute a troubled debt restructuring (TDR). It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. The ASU must be applied retrospectively to modifications made subsequent to the beginning of the annual period of adoption, which for us is January 1, 2011.

Effective September 30, 2011, ASU 2011-02 also required us to disclose the total amount of receivables and the allowance for credit losses related to those receivables that are newly considered impaired for which impairment was previously measured under ASC 450-20, *Contingencies – Loss Contingencies*. Refer to Note 8 to the Condensed Consolidated Financial Statements for additional information regarding TDRs.

The adoption did not have a material impact to our consolidated financial condition or results of operations.

Receivables – Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20)

Beginning with the three months ended September 30, 2011 and in conjunction with the requirements of ASU 2011-02, ASU 2010-20 required us to expand disclosures related to TDRs. Beginning with the three months ended March 31, 2011, ASU 2010-20 required us to disclose a rollforward of the allowance for loan losses, additional activity-based disclosures for both financing receivables, and the allowance for each reporting period. Refer to Note 8 to the Condensed Consolidated Financial Statements for additional information regarding TDRs. We early adopted the rollforward requirement during the December 31, 2010, reporting period. Since the guidance relates only to disclosures, adoption did not have a material impact on our consolidated financial condition or results of operations.

Revenue Recognition – Multiple-Deliverable Revenue Arrangements (ASU 2009-13)

As of January 1, 2011, we adopted ASU 2009-13, which amends ASC 605, *Revenue Recognition*. The guidance significantly changed the accounting for revenue recognition in arrangements with multiple deliverables and eliminated the residual method, which allocated the discount of a multiple deliverable arrangement among the delivered items. The guidance requires entities to allocate the total consideration to all

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deliverables at inception using the relative selling price and to allocate any discount in the arrangement proportionally to each deliverable based on each deliverable's selling price. The adoption did not have a material impact to our consolidated financial condition or results of operations.

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ALLY FINANCIAL INC.

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CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Recently Issued Accounting Standards

Financial Services Insurance Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (ASU 2010-26)

In October 2010, the FASB issued ASU 2010-26, which amends ASC 944, *Financial Services Insurance*. The amendments in this ASU specify which costs incurred in the acquisition of new and renewal insurance contracts should be capitalized. All other acquisition-related costs should be expensed as incurred. If the initial application of the amendments in this ASU results in the capitalization of acquisition costs that had not been previously capitalized, an entity may elect not to capitalize those types of costs. The ASU will be effective for us on January 1, 2012 and will be applied prospectively. Both retrospective application and early adoption are permitted. We do not expect the adoption to have a material impact to our consolidated financial condition or results of operations.

Fair Value Measurement Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS) (ASU 2011-04)

In May 2011, the FASB issued ASU 2011-04, which amends ASC 820, *Fair Value Measurements*. The amendments in this ASU clarify how to measure fair value. It is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. The ASU will be effective for us on January 1, 2012, and must be applied prospectively. Early adoption is not permitted. We do not expect the adoption to have a material impact to our consolidated financial condition or results of operations.

Comprehensive Income Presentation of Comprehensive Income (ASU 2011-05)

In June 2011, the FASB issued ASU 2011-05, which amends ASC 220, *Comprehensive Income*. The amendments will increase the prominence of items reported in other comprehensive income and facilitate convergence between GAAP and IFRS. This ASU will require that nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The ASU will be effective for us on January 1, 2012. Early adoption is permitted. Since the guidance relates only to disclosures, the adoption will have no impact to our consolidated financial condition or results of operations.

2. Discontinued Operations

We classified certain operations as discontinued when operations and cash flows will be eliminated from our ongoing operations and we will not have any significant continuing involvement in their operations after the respective sale transactions. For all periods presented, all of the operating results for these operations were removed from continuing operations and are presented separately as discontinued operations, net of tax. The Notes to the Condensed Consolidated Financial Statements were adjusted to exclude discontinued operations unless otherwise noted.

Select Insurance Operations

During the second quarter of 2011, we completed the sale of our U.K. consumer property and casualty insurance business.

Select International Automotive Finance Operations

We completed the sale of our Ecuador operations during the first quarter of 2011. We expect to complete the sale of our Venezuela operations by December 31, 2011.

Select Financial Information

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The pretax income or loss recognized for the discontinued operations, including the direct costs to transact a sale, could differ from the ultimate sales price due to the fluidity of ongoing negotiations, price volatility, changing interest rates, changing foreign-currency rates, and future economic conditions.

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Selected financial information of discontinued operations is summarized below.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Select Insurance operations				
Total net revenue	\$	\$ 57	\$ 96	\$ 357
Pretax income (loss) including direct costs to transact a sale (a)		3	13	(3)
Tax (benefit)				(1)
Select International operations				
Total net revenue	\$ 3	\$ 28	\$ 13	\$ 108
Pretax income (loss) including direct costs to transact a sale (a)		35	(34)	98
Tax (benefit)		(4)		(3)
Select Mortgage Legacy and Other operations				
Total net revenue	\$	\$ 25	\$	\$ 69
Pretax (loss) income including direct costs to transact a sale		(46)		56
Tax expense (benefit)		5		(3)
Select Commercial Finance operations				
Total net revenue	\$	\$	\$	\$ 11
Pretax income including direct costs to transact a sale (a)		1		8
Tax expense				

(a) Includes certain income tax activity recognized by Corporate and Other.

3. Other Income, Net of Losses

Details of other income, net of losses, were as follows.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Mortgage processing fees and other mortgage income	\$ 53	\$ 63	\$ 141	\$ 157
Late charges and other administrative fees	30	35	87	107
Remarketing fees	24	37	92	104
Income from equity-method investments	21	15	64	40
Securitization income (loss)	19	22	168	(25)
Real estate services, net	15		15	8
Full-service leasing fees	7	17	32	58
Change due to fair value option elections (a)	(44)	(52)	(83)	(181)
Fair value adjustment on derivatives (b)	(55)	(57)	(134)	(115)
Other, net	71	106	228	288

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Total other income, net of losses	\$ 141	\$ 186	\$ 610	\$ 441
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- (a) Refer to Note 21 for a description of fair value option elections.
- (b) Refer to Note 19 for a description of derivative instruments and hedging activities.

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Details of other operating expenses were as follows.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Technology and communications	\$ 128	\$ 117	\$ 365	\$ 390
Insurance commissions	119	150	368	446
Professional services	85	82	231	201
Mortgage representation and warranty, net	70	344	280	490
Advertising and marketing	47	49	142	123
Lease and loan administration	47	40	136	106
Vehicle remarketing and repossession	32	42	105	144
Regulatory and licensing fees	32	32	103	87
State and local non-income taxes	29	31	95	91
Occupancy	26	22	72	73
Premises and equipment depreciation	24	24	74	62
Restructuring	9	4	12	60
Full-service leasing vehicle maintenance costs	8	14	29	50
Other	116	141	448	483
Total other operating expenses	\$ 772	\$ 1,092	\$ 2,460	\$ 2,806

5. Trading Securities

The composition of trading securities was as follows.

(\$ in millions)	September 30, 2011	December 31, 2010
U.S. Treasury	\$ 503	\$ 77
Mortgage-backed residential		69
Asset-backed		94
Total trading securities	\$ 503	\$ 240

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED****CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****6. Investment Securities**

Our portfolio of securities includes bonds, equity securities, asset- and mortgage-backed securities, notes, interests in securitization trusts, and other investments. The cost, fair value, and gross unrealized gains and losses on available-for-sale securities were as follows.

	September 30, 2011				December 31, 2010			
	Gross unrealized			Fair	Gross unrealized			Fair
(\$ in millions)	Cost	gains	losses	value	Cost	gains	losses	value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 1,041	\$ 6	\$ (2)	\$ 1,045	\$ 3,307	\$ 22	\$ (11)	\$ 3,318
States and political subdivisions	1			1	3		(1)	2
Foreign government	894	33		927	1,231	19	(2)	1,248
Mortgage-backed residential (a)	6,624	96	(36)	6,684	5,844	60	(79)	5,825
Asset-backed	2,423	36	(6)	2,453	1,934	15	(1)	1,948
Corporate debt	1,210	14	(29)	1,195	1,537	34	(13)	1,558
Other	564	1		565	152		(1)	151
Total debt securities (b)	12,757	186	(73)	12,870	14,008	150	(108)	14,050
Equity securities	1,334	39	(262)	1,111	766	60	(30)	796
Total available-for-sale securities (c)	\$ 14,091	\$ 225	\$ (335)	\$ 13,981	\$ 14,774	\$ 210	\$ (138)	\$ 14,846

(a) Residential mortgage-backed securities include agency-backed bonds totaling \$5,533 million and \$4,503 million at September 30, 2011, and December 31, 2010, respectively.

(b) In connection with certain borrowings and letters of credit relating to certain assumed reinsurance contracts, \$56 million and \$153 million of primarily U.K. Treasury securities were pledged as collateral at September 30, 2011, and December 31, 2010, respectively.

(c) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled \$12 million at both September 30, 2011, and December 31, 2010, respectively.

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The maturity distribution of available-for-sale debt securities outstanding is summarized in the following tables. Prepayments may cause actual maturities to differ from scheduled maturities.

	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
<i>(\$ in millions)</i>	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
September 30, 2011										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 1,045	1.4%	\$ 219	1.1%	\$ 824	2.3%	\$ 2	3.2%	\$	%
States and political subdivisions	1	5.5							1	5.5
Foreign government	927	4.1	49	5.2	633	4.4	234	3.2	11	3.7
Mortgage-backed residential	6,684	2.6			2	6.3	263	1.8	6,419	2.6
Asset-backed	2,453	2.1			1,553	2.1	461	1.3	439	3.0
Corporate debt	1,195	5.1	12	5.1	483	4.9	557	5.5	143	4.0
Other	565	1.6	554	1.5			11	4.9		
Total available-for-sale debt securities	\$ 12,870	2.7	\$ 834	1.6	\$ 3,495	3.1	\$ 1,528	2.6	\$ 7,013	2.7
Amortized cost of available-for-sale debt securities	\$ 12,757		\$ 834		\$ 3,461		\$ 1,520		\$ 6,942	
December 31, 2010										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 3,318	1.4%	\$ 124	1.2%	\$ 3,094	1.3%	\$ 100	3.7%	\$	%
States and political subdivisions	2	8.7							2	8.7
Foreign government	1,248	3.1	7	2.2	1,092	3.1	149	3.5		
Mortgage-backed residential	5,825	3.8			57	3.2	64	4.4	5,704	3.8
Asset-backed	1,948	2.5			1,146	2.2	500	2.4	302	4.0
Corporate debt	1,558	3.9	22	5.7	811	3.5	593	4.3	132	4.0
Other	151	1.5	151	1.5						
Total available-for-sale debt securities	\$ 14,050	3.0	\$ 304	1.7	\$ 6,200	2.1	\$ 1,406	3.5	\$ 6,140	3.8
Amortized cost of available-for-sale debt securities	\$ 14,008		\$ 305		\$ 6,152		\$ 1,388		\$ 6,163	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

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(b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

The balances of cash equivalents were \$8.2 billion and \$5.3 billion at September 30, 2011, and December 31, 2010, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

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The following table presents gross gains and losses realized upon the sales of available-for-sale securities. During the three months and nine months ended September 30, 2011, we did not recognize other-than-temporary impairment on available-for-sale securities.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Gross realized gains	\$ 90	\$ 102	\$ 288	\$ 381
Gross realized losses	(15)	(2)	(37)	(25)
Other-than-temporary impairment				(1)
Net realized gains	\$ 75	\$ 100	\$ 251	\$ 355

The following table presents interest and dividends on available-for-sale securities.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Taxable interest	\$ 97	\$ 81	\$ 298	\$ 252
Taxable dividends	6	5	17	13
Interest and dividends exempt from U.S. federal income tax				10
Total interest and dividends on available-for-sale securities	\$ 103	\$ 86	\$ 315	\$ 275

The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of September 30, 2011, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of September 30, 2011, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at September 30, 2011. Refer to Note 1 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

(\$ in millions)	September 30, 2011				December 31, 2010			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
	value	loss	value	loss	value	loss	value	loss

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Available-for-sale securities

Debt securities

U.S. Treasury and federal agencies	\$ 288	\$ (2)	\$	\$	\$ 702	\$ (11)	\$	\$
States and political subdivisions					2	(1)		
Foreign government	58				323	(2)		
Mortgage-backed residential	2,005	(35)	6	(1)	3,159	(77)	11	(2)
Asset-backed	463	(6)	1		238	(1)	2	
Corporate debt	628	(29)	14		653	(13)	5	
Other	57				80	(1)		

Total temporarily impaired debt securities	3,499	(72)	21	(1)	5,157	(106)	18	(2)
Temporarily impaired equity securities	964	(262)			250	(27)	26	(3)

Total temporarily impaired available-for-sale securities	\$ 4,463	\$ (334)	\$ 21	\$ (1)	\$ 5,407	\$ (133)	\$ 44	\$ (5)
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Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED****CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****7. Loans Held-for-sale, Net**

The composition of loans held-for-sale, net, was as follows.

(\$ in millions)	September 30, 2011			December 31, 2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$ 464	\$	\$ 464	\$	\$	\$
Consumer mortgage						
1st Mortgage	6,961	528	7,489	10,191	364	10,555
Home equity	765		765	856		856
Total consumer mortgage (a)	7,726	528	8,254	11,047	364	11,411
Commercial and industrial						
Other	27		27			
Total loans held-for-sale (b)	\$ 8,217	\$ 528	\$ 8,745	\$ 11,047	\$ 364	\$ 11,411

(a) Fair value option-elected domestic consumer mortgages were \$3.2 billion and \$6.4 billion at September 30, 2011, and December 31, 2010, respectively. Refer to Note 21 for additional information.

(b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized discounts of \$218 million and \$161 million at September 30, 2011, and December 31, 2010, respectively.

The following table summarizes held-for-sale mortgage loans reported at carrying value by higher-risk loan type.

(\$ in millions)	September 30, 2011		December 31, 2010	
High original loan-to-value (greater than 100%) mortgage loans	\$	295	\$	331
Payment-option adjustable-rate mortgage loans		9		16
Interest-only mortgage loans		410		481
Below-market rate (teaser) mortgages		145		151
Total (a)	\$	859	\$	979

(a) The majority of these loans are held by our Mortgage Legacy Portfolio and Other operations at September 30, 2011, and December 31, 2010.

8. Finance Receivables and Loans, Net

The composition of finance receivables and loans, net, reported at carrying value before allowance for loan losses was as follows.

(\$ in millions)	September 30, 2011			December 31, 2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$ 43,293	\$ 16,412	\$ 59,705	\$ 34,604	\$ 16,650	\$ 51,254
Consumer mortgage						

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1st Mortgage	6,833	257	7,090	6,917	390	7,307
Home equity	3,179		3,179	3,441		3,441
Total consumer mortgage	10,012	257	10,269	10,358	390	10,748
Commercial						
Commercial and industrial						
Automobile	24,227	8,163	32,390	24,944	8,398	33,342
Mortgage	1,592	24	1,616	1,540	41	1,581
Other	1,303	240	1,543	1,795	312	2,107
Commercial real estate						
Automobile	2,137	185	2,322	2,071	216	2,287
Mortgage		26	26	1	78	79
Total commercial	29,259	8,638	37,897	30,351	9,045	39,396
Loans at fair value (a)	593	248	841	663	352	1,015
Total finance receivables and loans (b)	\$ 83,157	\$ 25,555	\$ 108,712	\$ 75,976	\$ 26,437	\$ 102,413

(a) Includes domestic consumer mortgages at fair value as a result of fair value option election. Refer to Note 21 for additional information.

(b) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of \$2.8 billion and \$2.9 billion at September 30, 2011, and December 31, 2010, respectively.

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The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans.

	Consumer	Consumer		
	automobile	mortgage	Commercial	Total
Three months ended September 30, 2011 (\$ in millions)				
Allowance at July 1, 2011	\$ 911	\$ 558	\$ 270	\$ 1,739
Charge-offs				
Domestic	(97)	(54)	(6)	(157)
Foreign	(37)	(2)	(7)	(46)
Total charge-offs	(134)	(56)	(13)	(203)
Recoveries				
Domestic	45	4	4	53
Foreign	18	1	8	27
Total recoveries	63	5	12	80
Net charge-offs	(71)	(51)	(1)	(123)
Provision for loan losses	53	25	(29)	49
Other	(42)		(2)	(44)
Allowance at September 30, 2011	\$ 851	\$ 532	\$ 238	\$ 1,621

	Consumer	Consumer		
	automobile	mortgage	Commercial	Total
Three months ended September 30, 2010 (\$ in millions)				
Allowance at July 1, 2010	\$ 1,120	\$ 659	\$ 598	\$ 2,377
Charge-offs				
Domestic	(179)	(69)	(98)	(346)
Foreign	(45)	(1)	(38)	(84)
Total charge-offs	(224)	(70)	(136)	(430)
Recoveries				
Domestic	65	6	4	75
Foreign	19		2	21
Total recoveries	84	6	6	96
Net charge-offs	(140)	(64)	(130)	(334)

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Provision for loan losses	58	28	(77)	9
Discontinued operations			(1)	(1)
Other	12	1	(10)	3

Allowance at September 30, 2010	\$ 1,050	\$ 624	\$ 380	\$ 2,054
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	Consumer	Consumer		
	automobile	mortgage	Commercial	Total
Nine months ended September 30, 2011 (\$ in millions)				
Allowance at January 1, 2011	\$ 970	\$ 580	\$ 323	\$ 1,873
Charge-offs				
Domestic	(331)	(162)	(24)	(517)
Foreign	(112)	(4)	(55)	(171)
Total charge-offs	(443)	(166)	(79)	(688)
Recoveries				
Domestic	146	13	16	175
Foreign	54	1	25	80
Total recoveries	200	14	41	255
Net charge-offs	(243)	(152)	(38)	(433)
Provision for loan losses	157	104	(48)	213
Other	(33)		1	(32)
Allowance at September 30, 2011	\$ 851	\$ 532	\$ 238	\$ 1,621
Allowance for loan losses				
Individually evaluated for impairment	\$ 2	\$ 125	\$ 49	\$ 176
Collectively evaluated for impairment	839	407	189	1,435
Loans acquired with deteriorated credit quality	10			10
Finance receivables and loans at historical cost				
Ending balance	59,705	10,269	37,897	107,871
Individually evaluated for impairment	52	600	698	1,350
Collectively evaluated for impairment	59,549	9,669	37,199	106,417
Loans acquired with deteriorated credit quality	104			104

	Consumer	Consumer		
	automobile	mortgage	Commercial	Total
Nine months ended September 30, 2010 (\$ in millions)				
Allowance at January 1, 2010	\$ 1,024	\$ 640	\$ 781	\$ 2,445
Cumulative effect of change in accounting principles (a)	222			222
Charge-offs				
Domestic	(616)	(179)	(250)	(1,045)
Foreign	(154)	(3)	(91)	(248)
Total charge-offs	(770)	(182)	(341)	(1,293)
Recoveries				
Domestic	242	15	12	269
Foreign	54		11	65
Total recoveries	296	15	23	334

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Net charge-offs	(474)	(167)	(318)	(959)
Provision for loan losses	285	142	(56)	371
Discontinued operations	5		(3)	2
Other	(12)	9	(24)	(27)

Allowance at September 30, 2010	\$ 1,050	\$ 624	\$ 380	\$ 2,054
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Allowance for loan losses				
Individually evaluated for impairment	\$	\$ 105	\$ 175	\$ 280
Collectively evaluated for impairment	1,023	519	205	1,747
Loans acquired with deteriorated credit quality	27			27
Finance receivables and loans at historical cost				
Ending balance	46,094	11,143	38,533	95,770
Individually evaluated for impairment		470	1,429	1,899
Collectively evaluated for impairment	45,898	10,673	37,104	93,675
Loans acquired with deteriorated credit quality	196			196

- (a) Effect of change in accounting principle due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

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The following table presents information about significant sales of finance receivables and loans recorded at historical cost and transfers of finance receivables and loans from held-for-investment to held-for-sale.

<i>(\$ in millions)</i>	Three months ended September 30, 2011	Nine months ended September 30, 2011
Consumer automobile	\$ 1,961	\$ 3,279
Consumer mortgage	7	100
Commercial	27	33
Total sales and transfers	\$ 1,995	\$ 3,412

The following table presents an analysis of our past due finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

	90 days				Total	
	30-59 days	60-89 days	or more	Total	Current	finance receivables
<i>(\$ in millions)</i>	past due	past due	past due	past due		and loans
September 30, 2011						
Consumer automobile	\$ 733	\$ 148	\$ 169	\$ 1,050	\$ 58,655	\$ 59,705
Consumer mortgage						
1st Mortgage	102	39	168	309	6,781	7,090
Home equity	23	13	12	48	3,131	3,179
Total consumer mortgage	125	52	180	357	9,912	10,269
Commercial						
Commercial and industrial						
Automobile		12	127	139	32,251	32,390
Mortgage			1	1	1,615	1,616
Other			1	1	1,542	1,543
Commercial real estate						
Automobile	2	4	35	41	2,281	2,322
Mortgage			23	23	3	26
Total commercial	2	16	187	205	37,692	37,897
Total consumer and commercial	\$ 860	\$ 216	536	\$ 1,612	\$ 106,259	\$ 107,871
December 31, 2010						
Consumer automobile	\$ 828	\$ 175	\$ 197	\$ 1,200	\$ 50,054	\$ 51,254

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Consumer mortgage						
1st Mortgage	115	67	205	387	6,920	7,307
Home equity	20	12	13	45	3,396	3,441
Total consumer mortgage	135	79	218	432	10,316	10,748
Commercial						
Commercial and industrial						
Automobile	21	19	85	125	33,217	33,342
Mortgage		36	4	40	1,541	1,581
Other			20	20	2,087	2,107
Commercial real estate						
Automobile		4	78	82	2,205	2,287
Mortgage			71	71	8	79
Total commercial	21	59	258	338	39,058	39,396
Total consumer and commercial	\$ 984	\$ 313	\$ 673	\$ 1,970	\$ 99,428	\$ 101,398

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The following table presents the carrying value before allowance for loan losses of our finance receivables and loans recorded at historical cost on nonaccrual status.

<i>(\$ in millions)</i>	September 30, 2011	December 31, 2010
Consumer automobile	\$ 210	\$ 207
Consumer mortgage		
1st Mortgage	305	500
Home equity	60	61
Total consumer mortgage	365	561
Commercial		
Commercial and industrial		
Automobile	225	296
Mortgage	25	40
Other	49	134
Commercial real estate		
Automobile	80	199
Mortgage	23	71
Total commercial	402	740
Total consumer and commercial	\$ 977	\$ 1,508

Management performs a quarterly analysis of the consumer automobile, consumer mortgage, and commercial portfolios using a range of credit quality indicators to assess the adequacy of the allowance based on historical and current trends. The tables below present the population of loans by quality indicators for our consumer automobile, consumer mortgage, and commercial portfolios.

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

<i>(\$ in millions)</i>	September 30, 2011			December 31, 2010		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	\$ 59,495	\$ 210	\$ 59,705	\$ 51,047	\$ 207	\$ 51,254
Consumer mortgage						
1st Mortgage	6,785	305	7,090	6,807	500	7,307
Home equity	3,119	60	3,179	3,380	61	3,441
Total consumer mortgage	\$ 9,904	\$ 365	\$ 10,269	\$ 10,187	\$ 561	\$ 10,748

The following table presents pass and criticized credit quality indicators based on regulatory definitions for our commercial finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

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(\$ in millions)	September 30, 2011			December 31, 2010		
	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	\$ 30,176	\$ 2,214	\$ 32,390	\$ 31,254	\$ 2,088	\$ 33,342
Mortgage	1,549	67	1,616	1,504	77	1,581
Other	1,100	443	1,543	1,041	1,066	2,107
Commercial real estate						
Automobile	2,084	238	2,322	2,013	274	2,287
Mortgage		26	26		79	79
Total commercial	\$ 34,909	\$ 2,988	\$ 37,897	\$ 35,812	\$ 3,584	\$ 39,396

(a) Includes loans classified as special mention, substandard, or doubtful. These classifications are based on regulatory definitions and generally represent loans within our portfolio that have a higher default risk or have already defaulted.

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Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K.

The following table presents information about our impaired finance receivables and loans recorded at historical cost.

	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
<i>(\$ in millions)</i>					
September 30, 2011 (a)					
Consumer automobile	\$ 52	\$ 52	\$	\$ 52	\$ 2
Consumer mortgage					
1st Mortgage	513	507	81	426	91
Home equity	93	93	4	89	34
Total consumer mortgage	606	600	85	515	125
Commercial					
Commercial and industrial					
Automobile	224	225	78	147	15
Mortgage	25	25	1	24	5
Other	52	49	30	19	5
Commercial real estate					
Automobile	80	80	42	38	20
Mortgage	23	23	3	20	4
Total commercial	404	402	154	248	49
Total consumer and commercial	\$ 1,062	\$ 1,054	\$ 239	\$ 815	\$ 176
December 31, 2010 (a)					
Consumer automobile	\$	\$	\$	\$	\$
Consumer mortgage					
1st Mortgage	410	404		404	59
Home equity	82	83		83	40
Total consumer mortgage	492	487		487	99
Commercial					

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Commercial and industrial					
Automobile	340	356	33	323	23
Mortgage	44	40		40	14
Other	135	133	20	113	51
Commercial real estate					
Automobile	206	197	108	89	29
Mortgage	71	71	28	43	10
Total commercial	796	797	189	608	127
Total consumer and commercial	\$ 1,288	\$ 1,284	\$ 189	\$ 1,095	\$ 226

(a) ASU 2011-02, *Receivables: A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*, was effective July 1, 2011.

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The following tables present average balance and interest income for our impaired finance receivables and loans.

	2011 (a)		2010	
	Average	Interest	Average	Interest
Three months ended September 30, (\$ in millions)	balance	income	balance	income
Consumer automobile	\$ 56	\$ 1	\$	\$
Consumer mortgage				
1st Mortgage	476	5	362	5
Home equity	93	1	73	1
Total consumer mortgage	569	6	435	6
Commercial				
Commercial and industrial				
Automobile	306	6	313	6
Mortgage	2	1	48	
Other	54		590	
Commercial real estate				
Automobile	104	4	263	2
Mortgage	31		104	
Total commercial	497	11	1,318	8
Total consumer and commercial	\$ 1,122	\$ 18	\$ 1,753	\$ 14

(a) ASU 2011-02, *Receivables: A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*, was effective July 1, 2011.

	2011 (a)		2010	
	Average	Interest	Average	Interest
Nine months ended September 30, (\$ in millions)	balance	income	balance	income
Consumer automobile	\$ 23	\$ 1	\$	\$
Consumer mortgage				
1st Mortgage	449	13	304	10
Home equity	89	3	59	3
Total consumer mortgage	538	16	363	13
Commercial				
Commercial and industrial				
Automobile	321	7	332	7
Mortgage	26	6	56	
Other	95	1	801	1
Commercial real estate				

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Automobile	141	4	295	3
Mortgage	47	1	149	1
Total commercial	630	19	1,633	12
Total consumer and commercial	\$ 1,191	\$ 36	\$ 1,996	\$ 25

(a) ASU 2011-02, Receivables: A *Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*, was effective July 1, 2011.

Troubled Debt Restructurings

Troubled debt restructurings are loan modifications where economic concessions are granted to borrowers experiencing financial difficulties. Numerous initiatives are in place to provide support to customers in financial distress, including the Home Affordable Modification Program (HAMP). Additionally for automobile loans, we offer several types of assistance to aid our customers including changing the due date, extending payments, and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses at September 30, 2011, increased \$199 million to \$709 million from December 31, 2010.

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The following tables present information related to finance receivables and loans recorded at historical cost modified in connection with a troubled debt restructuring during the period.

Three months ended September 30, 2011 (\$ in millions)	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	1,629	\$ 21	\$ 21
Consumer mortgage			
1st Mortgage	80	30	29
Home equity	213	12	11
Total consumer mortgage	293	42	40
Commercial			
Commercial real estate			
Automobile	1	2	2
Mortgage	1	3	2
Total commercial	2	5	4
Total consumer and commercial	1,924	\$ 68	\$ 65

Nine months ended September 30, 2011 (\$ in millions)	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	4,407	\$ 58	\$ 58
Consumer mortgage			
1st Mortgage	309	111	110
Home equity	695	39	36
Total consumer mortgage	1,004	150	146
Commercial			
Commercial and industrial			
Automobile	1	3	3
Mortgage	1	38	28
Other	2	11	10
Commercial real estate			
Automobile	2	6	4
Mortgage	2	4	3
Total commercial	8	62	48
Total consumer and commercial	5,419	\$ 270	\$ 252

The following tables present information about finance receivables and loans recorded at historical cost that have defaulted during the reporting period and were within 12 months or less of being modified as a troubled debt restructuring.

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Three months ended September 30, 2011 (\$ in millions)	Number of loans	Carrying value	
		before allowance	Charge-off amount
Consumer automobile	88	\$ 1	\$
Consumer mortgage			
1st Mortgage			
Home equity	9	1	1
Total consumer mortgage	9	1	1
Commercial			
Commercial and industrial			
Automobile			
Total commercial			
Total consumer and commercial	97	\$ 2	\$ 1

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Nine months ended September 30, 2011 (\$ in millions)	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	176	\$ 2	\$ 1
Consumer mortgage			
1st Mortgage	5	1	
Home equity	18	1	1
Total consumer mortgage	23	2	1
Commercial			
Commercial and industrial			
Automobile	1	3	
Total commercial	1	3	
Total consumer and commercial	200	\$ 7	\$ 2

At September 30, 2011, and December 31, 2010, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a troubled debt restructuring were \$31 million and \$15 million, respectively.

Higher-Risk Mortgage Concentration Risk

The following table summarizes held-for-investment mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses by higher-risk loan type.

(\$ in millions)	September 30, 2011	December 31, 2010
High original loan-to-value (greater than 100%) mortgage loans	\$ 4	\$ 5
Payment-option adjustable-rate mortgage loans	4	5
Interest-only mortgage loans (a)	3,083	3,681
Below-market rate (teaser) mortgages	257	284
Total (b)	\$ 3,348	\$ 3,975

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

(b) The majority of these loans are held by our Mortgage Legacy Portfolio and Other operations at September 30, 2011, and December 31, 2010.

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

(\$ in millions)	September 30, 2011	December 31, 2010
Vehicles and other equipment	\$ 11,123	\$ 13,571
Accumulated depreciation	(2,071)	(4,443)

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Investment in operating leases, net	\$	9,052	\$	9,128
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Depreciation expense on operating lease assets includes remarketing gains and losses recognized on the sale of operating lease assets. The following summarizes the components of depreciation expense on operating lease assets.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Depreciation expense on operating lease assets (excluding remarketing gains)	\$ 370	\$ 618	\$ 1,128	\$ 2,183
Gross remarketing gains	(74)	(164)	(355)	(547)
Depreciation expense on operating lease assets	\$ 296	\$ 454	\$ 773	\$ 1,636

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10. Securitizations and Variable Interest Entities

Overview

We are involved in several types of securitization and financing transactions that utilize special-purpose entities (SPEs). An SPE is an entity that is designed to fulfill a specified limited need of the sponsor. Our principal use of SPEs is to obtain liquidity and favorable capital treatment by securitizing certain of our financial assets.

The SPEs involved in securitization and other financing transactions are generally considered variable interest entities (VIEs). VIEs are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities.

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, and mortgage loan products to a diverse customer base. We often securitize these loans and leases (which we collectively describe as loans or financial assets) through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet. We securitize consumer and commercial automobile loans and operating leases through private-label securitizations. We securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively the Government-Sponsored Enterprises or GSEs), or private-label mortgage securitizations. During the nine months ended September 30, 2011 and 2010, our consumer mortgage loans were primarily securitized through the GSEs.

In executing a securitization transaction, we typically sell pools of financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The beneficial interests take the form of either notes or trust certificates, which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred loans and entitle the investors to specified cash flows generated from the securitized loans. In the aggregate, these beneficial interests have the same average life as the transferred financial assets. In addition to providing a source of liquidity and cost-efficient funding, securitizing these financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain. We securitize conforming residential mortgage loans through GSE securitizations and nonconforming mortgage loans through private-label securitizations.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization entity. The securitization entity is generally allowed to acquire the loans, to issue beneficial interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts (e.g., coverage by monoline bond insurers) to hedge or mitigate certain risks related to the financial assets or beneficial interests of the entity. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to service the assets the securitization entity holds and the beneficial interests it issues. Servicing functions include, but are not limited to, making certain payments of property taxes and insurance premiums, default and property maintenance payments, as well as advancing principal and interest payments before collecting them from individual borrowers. Our servicing responsibilities, which constitute continued involvement in the transferred financial assets, consist of primary servicing (i.e., servicing the underlying transferred financial assets) and/or master servicing (i.e., servicing the beneficial interests that result from the securitization transactions). Certain securitization entities also require the servicer to advance scheduled principal and interest payments due on the beneficial interests issued by the entity regardless of whether cash payments are received on the underlying transferred financial assets. Accordingly, we are required to provide these servicing advances when applicable. Refer to Note 11 for additional information regarding our servicing rights.

The GSEs provide a guarantee of the payment of principal and interest on the beneficial interests issued in securitizations. In private-label securitizations, cash flows from the assets initially transferred into the securitization entity represent the sole source for payment of distributions on the beneficial interests issued by the securitization entity and for payments to the parties that perform services for the securitization entity,

such as the servicer or the trustee. In certain

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private-label securitization transactions, a liquidity facility may exist to provide temporary liquidity to the entity. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. Monoline insurance may also exist to cover certain shortfalls to certain investors in the beneficial interests issued by the securitization entity. As noted above, in certain private-label securitizations, the servicer is required to advance scheduled principal and interest payments due on the beneficial interests regardless of whether cash payments are received on the underlying transferred financial assets. The servicer is allowed to reimburse itself for these servicing advances. Additionally, certain private-label securitization transactions may allow for the acquisition of additional loans subsequent to the initial loan transfer. Principal collections on other loans and/or the issuance of new beneficial interests, such as variable funding notes, generally fund these loans; we are often contractually required to invest in these new interests.

We may retain beneficial interests in our private-label securitizations, which may represent a form of significant continuing economic interest. These retained interests include, but are not limited to, senior or subordinate mortgage- or asset-backed securities, interest-only strips, principal-only strips, and residuals. Certain of these retained interests provide credit enhancement to the trust as they may absorb credit losses or other cash shortfalls. Additionally, the securitization agreements may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven.

We generally hold certain conditional repurchase options that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We have complete discretion regarding when or if we will exercise these options, but generally, we would do so only when it is in our best interest.

Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 24 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the nine months ended September 30, 2011 and 2010.

Other Variable Interest Entities

Servicer Advance Funding Entity

To assist in the financing of our servicer advance receivables, we formed an SPE that issues term notes to third-party investors that are collateralized by servicer advance receivables. These servicer advance receivables are transferred to the SPE and consist of delinquent principal and interest advances we made as servicer to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The SPE funds the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our mortgage activities. This SPE is consolidated on our balance sheet at September 30, 2011, and December 31, 2010. The beneficial interest holder of this SPE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support to the entity during the nine months ended September 30, 2011 and 2010.

Other

In 2010, we sold a portfolio of resort finance-backed receivables to a third party that financed the acquisition through an SPE. We provided seller financing for the purchase of these assets and also hold a contingent value right in the SPE, which were both recorded at fair value. We do

not consolidate the SPE because we have no control over the activities of the SPE.

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We have involvements with various other on-balance sheet, immaterial SPEs. Most of these SPEs are used for additional liquidity whereby we sell certain financial assets into the VIE and issue beneficial interests to third parties for cash.

We also provide long-term guarantee contracts and a line of credit to certain nonconsolidated affordable housing entities. Since we do not have control over the entities or the power to make decisions, we do not consolidate the entities and our involvement is limited to the guarantee and the line of credit.

Involvement with Variable Interest Entities

The determination of whether financial assets transferred by us to these VIEs (and related liabilities) are consolidated on our balance sheet (also referred to as on-balance sheet) or not consolidated on our balance sheet (also referred to as off-balance sheet) depends on the terms of the related transaction and our continuing involvement (if any) with the SPE. Subsequent to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, on January 1, 2010, we are deemed the primary beneficiary and therefore consolidate VIEs for which we have both (a) the power, through voting rights or similar rights, to direct the activities that most significantly impact the VIE's economic performance, and (b) a variable interest (or variable interests) that (i) obligates us to absorb losses that could potentially be significant to the VIE and/or (ii) provides us the right to receive residual returns of the VIE that could potentially be significant to the VIE. We determine whether we hold a significant variable interest in a VIE based on a consideration of both qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE. We assess whether we are the primary beneficiary of a VIE on an ongoing basis.

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Our involvement with consolidated and nonconsolidated VIEs in which we hold variable interests is presented below.

<i>(\$ in millions)</i>	Consolidated involvement with VIEs	Assets of nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs
September 30, 2011			
On-balance sheet variable interest entities			
Consumer automobile	\$ 26,745	\$	\$
Consumer mortgage private-label	1,120		
Commercial automobile	16,673		
Other	941		
Off-balance sheet variable interest entities			
Consumer mortgage Ginnie Mae	2,763(b)	42,072	42,072(c)
Consumer mortgage CMHC	76(b)	3,432	76(d)
Consumer mortgage private-label	154(b)	4,736	4,736(c)
Consumer mortgage other		(e)	18(f)
Commercial other	276(g)	(h)	439
Total	\$ 48,748	\$ 50,240	\$ 47,341
December 31, 2010			
On-balance sheet variable interest entities			
Consumer automobile	\$ 20,064	\$	\$
Consumer mortgage private-label	1,397		
Commercial automobile	15,114		
Other	1,035		
Off-balance sheet variable interest entities			
Consumer mortgage Ginnie Mae	2,909(b)	43,595	43,595(c)
Consumer mortgage CMHC	124(b)	4,222	124(d)
Consumer mortgage private-label	183(b)	5,371	5,371(c)
Commercial other	483(g)	(h)	698
Total	\$ 41,309	\$ 53,188	\$ 49,788

(a) Asset values represent the current unpaid principal balance of outstanding consumer finance receivables and loans within the VIEs.

(b) Includes \$2.5 billion and \$2.5 billion classified as mortgage loans held-for-sale, \$104 million and \$162 million classified as trading securities or other assets, and \$395 million and \$569 million classified as mortgage servicing rights at September 30, 2011, and December 31, 2010, respectively. CMHC is the Canada Mortgage and Housing Corporation.

(c) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.

(d) Due to combination of the credit loss insurance on the mortgages and the guarantee by CMHC on the issued securities, the maximum exposure to loss would be limited to the amount of the retained interests. Additionally, the maximum loss would occur only in the event that CMHC dismisses us as servicer of the loans due to servicer performance or insolvency.

(e) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE. However, in March 2011 we sold excess servicing rights valued at \$266 million to the VIE.

(f)

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Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.

- (g) Includes \$293 million and \$515 million classified as finance receivables and loans, net, and \$20 million and \$20 million classified as other assets, offset by \$37 million and \$52 million classified as accrued expenses and other liabilities at September 30, 2010, and December 31, 2010, respectively.
- (h) Includes VIEs for which we have no management oversight and therefore we are not able to provide the total assets of the VIEs. However, in 2010 we sold loans with an unpaid principal balance of \$1.5 billion into these VIEs.

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On-balance Sheet Variable Interest Entities

We engage in securitization and other financing transactions that do not qualify for off-balance sheet treatment. In these situations, we hold beneficial interests or other interests in the VIE, which represent a form of significant continuing economic interest. The interests held include, but are not limited to, senior or subordinate mortgage- or asset-backed securities, interest-only strips, principal-only strips, residuals, and servicing rights. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Condensed Consolidated Balance Sheet.

Subsequent to adoption of ASU 2009-17 as of January 1, 2010, we consolidated certain of these entities because we had a controlling financial interest in the VIE, primarily due to our servicing activities, and because we hold a significant variable interest in the VIE. Under ASC 810, *Consolidation*, as amended by ASU 2009-17, we are generally the primary beneficiary of automobile securitization entities, as well as certain mortgage private-label securitization entities for which we perform servicing activities and have retained a significant variable interest in the form of a beneficial interest. In cases where we did not meet sale accounting under previous guidance, unless we have made modifications to the overall transaction, we do not meet sale accounting under current guidance as we are not permitted to revisit sale accounting guidelines under the current guidance. In cases where substantive modifications are made, we then reassess the transaction under the amended guidance, based on the new circumstances.

The consolidated VIEs included in the Condensed Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets are restricted for the benefit of the beneficial interest holders. Refer to Note 21 for discussion of the assets and liabilities for which the fair value option has been elected.

Off-balance Sheet Variable Interest Entities

The nature, purpose, and activities of nonconsolidated securitization entities are similar to those of our consolidated securitization entities with the primary difference being the nature and extent of our continuing involvement. The cash flows from the assets of nonconsolidated securitization entities generally are the sole source of payment on the securitization entities' liabilities. The creditors of these securitization entities have no recourse to us with the exception of market customary representation and warranty provisions as described in Note 24.

Subsequent to the adoption of ASU 2009-17 as of January 1, 2010, nonconsolidated VIEs include entities for which we either do not hold significant variable interests or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet the sale accounting conditions in ASC 860, *Transfers and Servicing*. Our residential mortgage loan securitizations consist of GSEs and private-label securitizations. Under ASU 2009-17, we are not the primary beneficiary of any GSE loan securitization transaction because we do not have the power to direct the significant activities of such entities. Additionally, under ASU 2009-17, we do not consolidate certain private-label mortgage securitizations because we do not have a variable interest that could potentially be significant or we do not have power to direct the activities that most significantly impact the performance of the VIE.

For nonconsolidated securitization entities, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the securitization are primarily reported as cash, servicing rights, or retained interests (if applicable). Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. As an accounting policy election, we elected fair value treatment for our mortgage servicing rights (MSR) portfolio.

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Liabilities incurred as part of these securitization transactions, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

The following summarizes all pretax gains and losses recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities.

		Three months ended		Nine months ended	
		September 30,		September 30,	
		2011	2010	2011	2010
<i>(\$ in millions)</i>					
Consumer mortgage	GSEs	\$ 332	\$ 360	\$ 597	\$ 733
Consumer mortgage	private-label		7	1	12
Total pretax gain		\$ 332	\$ 367	\$ 598	\$ 745

The following table summarizes cash flows received from and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the nine months ended September 30, 2011 and 2010. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

		Consumer mortgage	Consumer mortgage
		GSEs	private-label
Nine months ended September 30, (\$ in millions)			
2011			
Cash proceeds from transfers completed during the period	\$	43,877	\$ 722
Cash flows received on retained interests in securitization entities			53
Servicing fees		747	152
Purchases of previously transferred financial assets		(1,744)	(17)
Representations and warranties obligations		(101)	(29)
Other cash flows		60	135
2010			
Cash proceeds from transfers completed during the period	\$	44,999	\$ 807
Cash flows received on retained interests in securitization entities			60
Servicing fees		599	147
Purchases of previously transferred financial assets		(1,317)	(16)
Representations and warranties obligations		(319)	(13)
Other cash flows		85	(79)

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The following table represents on-balance sheet loans held-for-sale and finance receivable and loans, off-balance sheet securitizations, and whole-loan sales where we have continuing involvement. The table presents quantitative information about delinquencies and net credit losses. Refer to Note 11 for further detail on total serviced assets.

	Total amount		Amount 60 days or more past due	
	September 30,	December 31,	September 30,	December 31,
<i>(\$ in millions)</i>	2011	2010	2011	2010
On-balance sheet loans				
Consumer automobile	\$ 60,169	\$ 51,254	\$ 317	\$ 373
Consumer mortgage (a)	19,364	23,174	3,335	3,437
Commercial automobile	34,712	35,629	178	186
Commercial mortgage	1,642	1,660	24	110
Commercial other	1,570	2,107	1	20
Total on-balance sheet loans	117,457	113,824	3,855	4,126
Off-balance sheet securitization entities				
Consumer mortgage GSEs	263,115	253,192	6,772	13,990
Consumer mortgage private-label	66,719	73,638	11,397	12,220
Total off-balance sheet securitization entities	329,834	326,830	18,169	26,210
Whole-loan transactions (b)	35,601	38,212	2,757	2,950
Total	\$ 482,892	\$ 478,866	\$ 24,781	\$ 33,286

(a) Includes loans subject to conditional repurchase options of \$2.4 billion and \$2.3 billion guaranteed by the GSEs, and \$116 million and \$146 million sold to certain private-label mortgage securitization entities at September 30, 2011, and December 31, 2010, respectively.

(b) Whole-loan transactions are not part of a securitization transaction, but represent consumer automobile and consumer mortgage pools of loans sold to third-party investors.

	Net credit losses			
	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
<i>(\$ in millions)</i>	2011	2010	2011	2010
On-balance sheet loans				
Consumer automobile	\$ 71	\$ 146	\$ 243	\$ 505
Consumer mortgage	47	(11)	130	(58)
Commercial automobile		23	11	63
Commercial mortgage	1	8	26	56

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Commercial other		99	1	199
Total on-balance sheet loans	119	265	411	765
Off-balance sheet securitization entities				
Consumer mortgage GSEs (a)	n/m	n/m	n/m	n/m
Consumer mortgage private-label	910	871	3,209	3,509
Total off-balance sheet securitization entities	910	871	3,209	3,509
Whole-loan transactions	182	314	626	1,004
Total	\$ 1,211	\$ 1,450	\$ 4,246	\$ 5,278

n/m = not meaningful

(a) Anticipated credit losses are not meaningful due to the GSE guarantees.

Changes in Accounting for Variable Interest Entities

For the nine months ended September 30, 2011 and 2010, there were no material changes in the accounting for variable interest entities except the initial adoption of ASU 2009-17 on January 1, 2010. Refer to Note 11 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K regarding this initial adoption.

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Mortgage Servicing Rights

The following table summarizes activity related to MSRs, which are carried at fair value.

Three months ended September 30, (<i>\$ in millions</i>)	2011	2010
Estimated fair value at July 1,	\$ 3,701	\$ 2,983
Additions recognized on sale of mortgage loans	159	260
Additions from purchases of servicing rights	15	24
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(1,106)	(278)
Other changes in fair value	(106)	(244)
Other changes that affect the balance		1

Estimated fair value at September 30,	\$ 2,663	\$ 2,746
---------------------------------------	-----------------	----------

Nine months ended September 30, (<i>\$ in millions</i>)	2011	2010
Estimated fair value at January 1,	\$ 3,738	\$ 3,554
Additions recognized on sale of mortgage loans	487	628
Additions from purchases of servicing rights	31	45
Subtractions from disposition of servicing assets	(266)	
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(943)	(772)
Other changes in fair value	(384)	(694)
Decrease due to change in accounting principle		(19)
Other changes that affect the balance		4

Estimated fair value at September 30,	\$ 2,663	\$ 2,746
---------------------------------------	-----------------	----------

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model include all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio. The decrease due to change in accounting principle reflects the effect of the initial adoption of ASU 2009-17.

The key economic assumptions and sensitivity of the fair value of MSRs to immediate 10% and 20% adverse changes in those assumptions were as follows.

(<i>\$ in millions</i>)	September 30, 2011	December 31, 2010
Weighted average life (<i>in years</i>)	5.7	7.0
Weighted average prepayment speed	12.7%	9.8%
Impact on fair value of 10% adverse change	\$ (118)	\$ (155)

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Impact on fair value of 20% adverse change	(225)	(295)
Weighted average discount rate	13.4%	12.3%
Impact on fair value of 10% adverse change	\$ (85)	\$ (80)
Impact on fair value of 20% adverse change	(164)	(156)

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., increased market interest rates may result in lower prepayments and increased credit losses) that could magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected change in the fair value of the instruments used to manage the interest rates and prepayment risks associated with these assets.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED****CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****Risk Mitigation Activities**

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments that could reduce the value of the MSRs. We economically hedge the impact of these risks with both derivative and nonderivative financial instruments. Refer to Note 19 for additional information regarding the derivative financial instruments used to economically hedge MSRs.

The components of servicing valuation and hedge activities, net, were as follows.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
<i>(\$ in millions)</i>				
Change in estimated fair value of mortgage servicing rights	\$ (1,212)	\$ (522)	\$ (1,327)	\$ (1,466)
Change in fair value of derivative financial instruments	741	495	664	1,285
Servicing valuation and hedge activities, net	\$ (471)	\$ (27)	\$ (663)	\$ (181)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
<i>(\$ in millions)</i>				
Contractual servicing fees, net of guarantee fees and including subservicing	\$ 258	\$ 270	\$ 786	\$ 793
Late fees	11	17	48	56
Ancillary fees	43	56	115	146
Total mortgage servicing fees	\$ 312	\$ 343	\$ 949	\$ 995

Mortgage Servicing Advances

In connection with our primary servicing activities (i.e., servicing of mortgage loans), we make certain payments of property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicing advances including contractual interest are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property, thus making their collection reasonably assured. These servicing advances are included in other assets on the Condensed Consolidated Balance Sheet and totaled \$1.8 billion and \$1.9 billion at September 30, 2011, and December 31, 2010, respectively. We maintain an allowance for uncollected primary servicing advances of \$21 million and \$25 million at September 30, 2011, and December 31, 2010, respectively. Our potential obligation is influenced by the loans performance and credit quality.

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When we act as a subservicer of mortgage loans we perform the responsibilities of a primary servicer but do not own the corresponding primary servicing rights. We receive a fee from the primary servicer for such services. As the subservicer, we would have the same responsibilities of a primary servicer in that we would make certain payments of property taxes and insurance premiums, default and property maintenance, as well as advances of principal and interest payments before collecting them from individual borrowers. At September 30, 2011, and December 31, 2010, outstanding servicer advances related to subserviced loans were \$118 million and \$140 million, respectively, and we had a reserve for uncollected subservicer advances of \$2 million and \$1 million, respectively.

In many cases, where we act as master servicer, we also act as primary servicer. In connection with our master-servicing activities, we service the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages sold to investors. As the master servicer, we collect mortgage loan payments from primary servicers and distribute those funds to investors in the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. As the master servicer, we are required to advance scheduled payments to the securitization trust or whole-loan investors. To the extent the primary servicer does not advance the payments, we are responsible for advancing the payment to the trust or whole-loan

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investors. Master-servicing advances, including contractual interest, are priority cash flows in the event of a default, thus making their collection reasonably assured. In most cases, we are required to advance these payments to the point of liquidation of the loan or reimbursement of the trust or whole-loan investors. We had outstanding master-servicing advances of \$142 million and \$90 million at September 30, 2011, and December 31, 2010, respectively. We had no reserve for uncollected master-servicing advances at September 30, 2011, or December 31, 2010.

Serviced Mortgage Assets

The unpaid principal balance of our serviced mortgage assets was as follows.

<i>(\$ in millions)</i>	September 30, 2011	December 31, 2010
On-balance sheet mortgage loans		
Held-for-sale and investment	\$ 18,968	\$ 20,224
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
Private-label	56,120	63,685
GSEs	265,370	255,388
Whole-loan	17,033	17,524
Purchased servicing rights	3,407	3,946
Total primary serviced mortgage loans	360,898	360,767
Subserviced mortgage loans	25,126	24,173
Master-servicing-only mortgage loans	8,931	10,548
Total serviced mortgage loans	\$ 394,955	\$ 395,488

Our Mortgage operations that conduct primary and master-servicing activities are required to maintain certain servicer ratings in accordance with master agreements entered into with GSEs. At September 30, 2011, our Mortgage operations were in compliance with the servicer-rating requirements of the master agreements.

In certain domestic securitizations of our Mortgage operations, the surety or other provider of contractual credit support is entitled to declare a servicer default and terminate the servicer upon the failure of the loans to meet certain portfolio delinquency and/or cumulative-loss thresholds. Our Mortgage operations did not receive notice of termination from surety providers during the nine months ended September 30, 2011.

Automobile Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fees of \$39 million and \$126 million for the three months and nine months ended September 30, 2011, respectively, compared to \$61 million and \$178 million for the three months and nine months ended September 30, 2010.

Automobile Serviced Assets

The total serviced automobile loans outstanding were as follows.

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<i>(\$ in millions)</i>	September 30, 2011	December 31, 2010
On-balance sheet automobile loans		
Consumer automobile	\$ 60,169	\$ 51,254
Commercial automobile	34,713	35,629
Operating leases	9,052	9,128
Operations held-for-sale	5	242
Off-balance sheet automobile loans		
Loans sold to third-party investors		
Whole-loan	14,735	18,126
Other	1,118	979
Total serviced automobile loans	\$ 119,792	\$ 115,358

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The components of other assets were as follows.

<i>(\$ in millions)</i>	September 30, 2011	December 31, 2010
Property and equipment at cost	\$ 1,174	\$ 1,315
Accumulated depreciation	(809)	(939)
Net property and equipment	365	376
Derivative contracts in a receivable position	8,362	3,966
Servicer advances	2,036	2,137
Restricted cash collections for securitization trusts (a)	1,780	1,705
Restricted cash and cash equivalents	1,525	1,323
Collateral placed with counterparties	1,250	1,569
Other accounts receivable	1,136	641
Cash reserve deposits held for securitization trusts (b)	843	1,168
Debt issuance costs	656	704
Prepaid expenses and deposits	611	638
Goodwill	523	525
Nonmarketable equity securities	436	504
Real estate and other investments	358	280
Interests retained in financial asset sales	297	568
Accrued interest and rent receivable	228	238
Investment in used vehicles held-for-sale	182	386
Reposessed and foreclosed assets	161	211
Assets of operations held-for-sale (c)	(47)	690
Other assets	791	625
Total other assets	\$ 21,493	\$ 18,254

(a) Represents cash collection from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.

(b) Represents credit enhancement in the form of cash reserves for various securitization transactions.

(c) Includes \$94 million of unrecognized translation losses in the measurement of impairment at both September 30, 2011, and December 31, 2010 related to our International Automotive Finance operations in Venezuela.

13. Deposit Liabilities

Deposit liabilities consisted of the following.

<i>(\$ in millions)</i>	September 30, 2011	December 31, 2010
Domestic deposits		
Noninterest-bearing deposits	\$ 2,704	\$ 2,108
NOW and money market checking accounts	8,643	8,081

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Certificates of deposit	27,307	23,728
Dealer deposits	1,823	1,459
Individual retirement account deposits	215	
Total domestic deposit liabilities	40,692	35,376
Foreign deposits		
Noninterest-bearing deposits		23
NOW and money market checking accounts	1,218	961
Certificates of deposit	2,109	2,390
Dealer deposits	307	298
Total foreign deposit liabilities	3,634	3,672
Total deposit liabilities	\$ 44,326	\$ 39,048

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Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At September 30, 2011, and December 31, 2010, certificates of deposit included \$9.3 billion and \$7.0 billion, respectively, of domestic certificates of deposit in denominations of \$100 thousand or more.

14. Short-term Borrowings

The following table presents the composition of our short-term borrowings portfolio.

(\$ in millions)	September 30, 2011			December 31, 2010		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Demand notes	\$ 2,648	\$	\$ 2,648	\$ 2,033	\$	\$ 2,033
Bank loans and overdrafts	1,540		1,540	1,970		1,970
Federal Home Loan Bank					1,300	1,300
Other (a)	142	1,603	1,745	224	1,981	2,205
Total short-term borrowings	\$ 4,330	\$ 1,603	\$ 5,933	\$ 4,227	\$ 3,281	\$ 7,508

(a) Other primarily includes nonbank secured borrowings at our Mortgage and International Automotive Finance operations.

15. Long-term Debt

The following tables present the composition of our long-term debt portfolio.

(\$ in millions)	September 30, 2011			December 31, 2010		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	\$ 5,049	\$ 14,079	\$ 19,128	\$ 8,555	\$ 13,603	\$ 22,158
Due after one year (a)	37,701	32,645	70,346	38,499	25,508	64,007
Fair value adjustment	1,072		1,072	447		447
Total long-term debt (b)	\$ 43,822	\$ 46,724	\$ 90,546	\$ 47,501	\$ 39,111	\$ 86,612

(a) Includes \$7.4 billion guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP) and \$2.6 billion of trust preferred securities at both September 30, 2011, and December 31, 2010.

(b) Includes fair value option-elected secured long-term debt of \$831 million and \$972 million at September 30, 2011, and December 31, 2010, respectively. Refer to Note 21 for additional information.

The following table presents the scheduled remaining maturity of long-term debt at September 30, 2011, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

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Year ended December 31, (\$ in millions)	2011	2012	2013	2014	2015	2016 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	\$ 1,014	\$ 12,202	\$ 1,934	\$ 5,758	\$ 3,721	\$ 20,455	\$ 1,072	\$ 46,156
Original issue discount	(141)	(350)	(264)	(190)	(56)	(1,333)		(2,334)
Total unsecured	873	11,852	1,670	5,568	3,665	19,122	1,072	43,822
Secured								
Long-term debt	4,010	11,858	12,988	9,870	4,181	3,545		46,452
Troubled debt restructuring concession (a)	26	105	82	46	13			272
Total secured	4,036	11,963	13,070	9,916	4,194	3,545		46,724
Total long-term debt	\$ 4,909	\$ 23,815	\$ 14,740	\$ 15,484	\$ 7,859	\$ 22,667	\$ 1,072	\$ 90,546

- (a) In the second quarter of 2008, ResCap executed an exchange offer that resulted in a concession being recognized as an adjustment to the carrying value of certain secured notes. This concession is being amortized over the life of the notes through a reduction to interest expense using an effective yield methodology.

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The following table presents the scheduled remaining maturity of long-term debt held by ResCap at September 30, 2011, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, (\$ in millions)	2011	2012	2013	2014	2015	2016 and thereafter	Fair value adjustment	Total
ResCap								
Unsecured debt								
Long-term debt	\$	\$ 347	\$ 472	\$ 101	\$ 171	\$	\$ 21	\$ 1,112
Secured debt								
Long-term debt	2		777	707	707	1,656		3,849
Troubled debt restructuring concession	26	105	82	46	13			272
Total secured debt	28	105	859	753	720	1,656		4,121
ResCap Total long-term debt	\$ 28	\$ 452	\$ 1,331	\$ 854	\$ 891	\$ 1,656	\$ 21	\$ 5,233

The following summarizes assets restricted as collateral for the payment of the related debt obligation primarily arising from securitization transactions accounted for as secured borrowings and repurchase agreements.

(\$ in millions)	September 30, 2011		December 31, 2010	
	Total	Ally Bank (a)	Total	Ally Bank (a)
Trading securities	\$ 28	\$	\$ 36	\$
Investment securities	1,693	1,693	2,191	2,190
Loans held-for-sale	870		1,035	
Mortgage assets held-for-investment and lending receivables	11,929	10,907	12,451	11,137
Consumer automobile finance receivables	32,004	16,130	27,164	14,927
Commercial automobile finance receivables	17,758	12,281	19,741	15,034
Investment in operating leases, net	4,525	483	3,199	
Mortgage servicing rights	2,041	1,333	2,801	1,746
Other assets	3,990	1,857	3,990	1,700
Total assets restricted as collateral (b)	\$ 74,838	\$ 44,684	\$ 72,608	\$ 46,734
Secured debt (c)	\$ 48,327	\$ 23,280	\$ 42,392	\$ 20,199

(a) Ally Bank is a component of the total column.

(b) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the FHLB and Federal Reserve Bank totaling \$10.0 billion and \$15.2 billion at September 30, 2011, and December 31, 2010, respectively. These assets were composed of consumer and commercial mortgage finance receivables and loans, net; consumer automobile finance receivables and loans, net; and investment securities. Under the agreement with the FHLB, Ally Bank also had assets pledged as collateral under a blanket lien totaling \$8.2 billion and \$5.3 billion at September 30, 2011, and December 31, 2010, respectively. These assets were primarily composed of mortgage servicing rights; consumer and commercial mortgage finance receivables and loans, net; and other assets. Availability under

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these programs is generally only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(c) Includes \$1,603 million and \$3,281 million of short-term borrowings at September 30, 2011, and December 31, 2010, respectively.

Trust Preferred Securities

On December 30, 2009, we entered into a Securities Purchase and Exchange Agreement with U.S. Department of Treasury (Treasury) and GMAC Capital Trust I, a Delaware statutory trust (the Trust), which is a finance subsidiary that is wholly owned by Ally. As part of the agreement, the Trust sold to Treasury 2,540,000 trust preferred securities (TRUPS) issued by the Trust with an aggregate liquidation preference of \$2.5 billion. Additionally, we issued and sold to Treasury a ten-year warrant to purchase up to 127,000 additional TRUPS with an aggregate liquidation preference of \$127 million, at an initial exercise price of \$0.01 per security, which Treasury immediately exercised in full.

On March 1, 2011, the Declaration of Trust and certain other documents related to the TRUPS were amended and all the outstanding TRUPS held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series 2

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(Series 2 TRUPS). On March 7, 2011, Treasury sold 100% of the Series 2 TRUPS in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Each Series 2 TRUPS security has a liquidation amount of \$25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions are payable at an annual rate of 8.125% payable quarterly in arrears, beginning August 15, 2011, to but excluding February 15, 2016. From and including February 15, 2016, to but excluding February 15, 2040, distributions will be payable at an annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears, beginning May 15, 2016. Ally has the right to defer payments of interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally's capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal, interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

Funding Facilities

We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not legally obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Condensed Consolidated Balance Sheet.

As of September 30, 2011, Ally Bank had exclusive access to \$9.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a \$4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB complement Ally Bank's private committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and do not allow for any further funding after the closing date. At September 30, 2011, \$34.7 billion of our \$40.1 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. At September 30, 2011, we had \$16.8 billion of committed funding capacity with a remaining tenor greater than 364 days, which is an increase of \$4.6 billion from June 30, 2011.

Committed Funding Facilities

	Outstanding		Unused capacity (a)		Total capacity	
	Sept. 30,	Dec. 31,	Sept. 30,	Dec. 31,	Sept. 30,	Dec. 31,
<i>(\$ in billions)</i>	2011	2010	2011	2010	2011	2010
Bank funding						
Secured	\$ 5.4	\$ 6.4	\$ 4.1	\$ 1.9	\$ 9.5	\$ 8.3
Nonbank funding						
Unsecured						
Automotive Finance operations	0.3	0.8	0.5		0.8	0.8
Secured						

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Automotive Finance operations (b)	11.1	8.3	13.2	9.1	24.3	17.4
Mortgage operations	0.8	1.0	0.6	0.6	1.4	1.6
Total nonbank funding	12.2	10.1	14.3	9.7	26.5	19.8
Shared capacity (c)	0.1	0.2	4.0	3.9	4.1	4.1
Total committed facilities	\$ 17.7	\$ 16.7	\$ 22.4	\$ 15.5	\$ 40.1	\$ 32.2

- (a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
- (b) Unused capacity includes forward flow sale commitments to fund future asset originations in Brazil totaling \$1.5 billion at September 30, 2011, and \$1.2 billion at December 31, 2010. Also included at September 30, 2011, was unused capacity of \$2.4 billion from two new Ally Credit Canada facilities completed in the third quarter that was substantially utilized in early October to refinance existing debt outstanding.
- (c) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

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	Outstanding		Unused capacity		Total capacity	
	Sept. 30,	Dec. 31,	Sept. 30,	Dec. 31,	Sept. 30,	Dec. 31,
<i>(\$ in billions)</i>	2011	2010	2011	2010	2011	2010
Bank funding						
Secured						
Federal Reserve funding programs	\$	\$	\$ 3.2	\$ 4.0	\$ 3.2	\$ 4.0
FHLB advances	4.1	5.3	1.7	0.2	5.8	5.5
Total bank funding	4.1	5.3	4.9	4.2	9.0	9.5
Nonbank funding						
Unsecured						
Automotive Finance operations	1.7	1.4	0.5	0.6	2.2	2.0
Secured						
Automotive Finance operations	0.1	0.1	0.1		0.2	0.1
Mortgage operations			0.1	0.1	0.1	0.1
Total nonbank funding	1.8	1.5	0.7	0.7	2.5	2.2
Total uncommitted facilities	\$ 5.9	\$ 6.8	\$ 5.6	\$ 4.9	\$ 11.5	\$ 11.7

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The following table summarizes information about our Series F-2, Series A, and Series G preferred stock.

	September 30, 2011	December 31, 2010
Mandatorily convertible preferred stock held by U.S. Department of Treasury (a)		
Series F-2 preferred stock		
Carrying value (\$ in millions)	\$5,685	\$5,685
Par value (per share)	\$0.01	\$0.01
Liquidation preference (per share)	\$50	\$50
Number of shares authorized	228,750,000	228,750,000
Number of shares issued and outstanding	118,750,000	118,750,000
Dividend/coupon	Fixed 9%	
Redemption/call feature	Perpetual(b)	
Preferred stock		
Series A preferred stock (c)		
Carrying value (\$ in millions)	\$1,021	\$1,053
Par value (per share)	\$0.01	\$0.01
Liquidation preference (per share)	\$25	\$1,000
Number of shares authorized	160,870,560	4,021,764
Number of shares issued and outstanding	40,870,560	1,021,764
Dividend/coupon		
Prior to May 15, 2016	8.5%	
On and after May 15, 2016	LIBOR + 6.243%	
Redemption/call feature	Perpetual(d)	
Series G preferred stock		
Carrying value (\$ in millions)	\$234	\$234
Par value (per share)	\$0.01	\$0.01
Liquidation preference (per share)	\$1,000	\$1,000
Number of shares authorized	2,576,601	2,576,601
Number of shares issued and outstanding	2,576,601	2,576,601
Dividend/coupon	Fixed 7%	
Redemption/call feature	Perpetual(e)	

(a) Mandatorily convertible to common equity on December 30, 2016.

(b) Convertible prior to mandatory conversion date with consent of Treasury.

(c) Refer to next section of this note for a description of an amendment to the Series A preferred stock that occurred on March 25, 2011.

(d) Nonredeemable prior to May 15, 2016.

(e) Nonredeemable prior to December 31, 2011.

Series A Preferred Stock

On March 1, 2011, pursuant to a registration rights agreement between Ally and GM, GM notified Ally of its intent to sell shares of Ally's existing Fixed Rate Perpetual Preferred Stock, Series A (Existing Series A Preferred Stock), held by a subsidiary of GM. On March 25, 2011, Ally filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation (the Amendment) with the Secretary of State of the State of Delaware. Pursuant to the Amendment, Ally's Certificate of Incorporation, which included the terms of the Existing Series A Preferred Stock, was amended to modify certain terms of the Existing Series A Preferred Stock. As part of the Amendment, the Existing Series A Preferred Stock was redesignated as Ally's Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A (the Amended Series A Preferred

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Stock) and the liquidation amount was reduced from \$1,000 per share to \$25 per share. The Amendment, and a corresponding amendment to Ally's bylaws, also increased the authorized number of shares of Amended Series A Preferred Stock to 160,870,560 shares, which was adjusted to account for the decreased liquidation amount per share. The total number of shares outstanding following the Amendment is 40,870,560 shares.

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Immediately following the Amendment, the subsidiary of GM that held all of the outstanding Amended Series A Preferred Stock sold 100% of such stock in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Holders of the Amended Series A Preferred Stock are entitled to receive, when, and if declared by Ally, noncumulative cash dividends. Beginning March 25, 2011, to but excluding May 15, 2016, dividends accrue at a fixed rate of 8.500% per annum. Beginning on May 15, 2016, dividends will accrue at a rate equal to three-month London interbank offer rate (LIBOR) plus 6.243%, commencing on August 15, 2016, in each case on the 15th day of February, May, August, and November. Dividends will be payable to holders of record at the close of business on the preceding February 1, May 1, August 1, or November 1, as the case may be, or on such other date, not more than seventy calendar days prior to the dividend payment date, as will be fixed by the Ally Board of Directors. In the event that dividends with respect to a dividend period have not been paid in full on the dividend payment date, we will be prohibited, subject to certain specified exceptions, from (i) redeeming, purchasing or otherwise acquiring, any stock that ranks on a parity basis with, or junior in interest to, the Amended Series A Preferred Stock; (ii) paying any dividends or making any distributions with respect to any stock that ranks junior in interest to the Amended Series A Preferred Stock, until such time as Ally has paid the dividends payable on shares of the Amended Series A Preferred Stock with respect to a subsequent dividend period; and (iii) declaring or paying any dividend on any stock ranking on a parity basis with the Amended Series A Preferred Stock, subject to certain exceptions.

The holders of the Amended Series A Preferred Stock do not have voting rights other than those set forth in the certificate of designations for the Amended Series A Preferred Stock included in Ally's Certificate of Incorporation. Ally may not redeem the Amended Series A Preferred Stock before May 15, 2016, and after such time the Amended Series A Preferred Stock may be redeemed in certain circumstances. In the event of any liquidation, dissolution or winding up of the affairs of Ally, holders of the Amended Series A Preferred Stock will be entitled to receive the liquidation amount per share of Amended Series A Preferred Stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment out of assets available for distribution, before any distribution is made for holders of stock that ranks junior in interest to the Amended Series A Preferred Stock, subject to the rights of Ally's creditors.

The changes to the terms of the Existing Series A Preferred Stock pursuant to the terms of the Amendment were deemed substantive, and as a result, the transaction was accounted for as a redemption of the Existing Series A Preferred Stock and the issuance of the Amended Series A Preferred Stock. The Existing Series A Preferred Stock was removed at its carrying value, the Amended Series A Preferred Stock was recognized at its fair value, and the difference of \$32 million was recorded as an increase to retained earnings, which impacted the income available to common stockholders used for the earnings per common share calculation. Refer to Note 20 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K for terms of the Series A Preferred Stock prior to the Amendment.

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17. Earnings per Common Share

The following table presents the calculation of basic and diluted earnings per common share.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
<i>(\$ in millions except per share data)</i>				
Net (loss) income from continuing operations	\$ (210)	\$ 277	\$ 70	\$ 830
Preferred stock dividends U.S. Department of Treasury	(133)	(257)	(400)	(643)
Preferred stock dividends	(67)	(70)	(194)	(212)
Impact of preferred stock amendment			32	
Net loss from continuing operations attributable to common shareholders (a)	(410)	(50)	(492)	(25)
(Loss) income from discontinued operations, net of tax		(8)	(21)	166
Net (loss) income attributable to common shareholders	\$ (410)	\$ (58)	\$ (513)	\$ 141
Basic weighted-average common shares outstanding	1,330,970	799,120	1,330,970	799,120
Diluted weighted-average common shares outstanding (a)	1,330,970	799,120	1,330,970	799,120
Basic earnings per common share				
Net loss from continuing operations	\$ (308)	\$ (63)	\$ (370)	\$ (31)
(Loss) income from discontinued operations, net of tax		(10)	(16)	208
Net (loss) income	\$ (308)	\$ (73)	\$ (386)	\$ 177
Diluted earnings per common share (a)				
Net loss from continuing operations	\$ (308)	\$ (63)	\$ (370)	\$ (31)
(Loss) income from discontinued operations, net of tax		(10)	(16)	208
Net (loss) income	\$ (308)	\$ (73)	\$ (386)	\$ 177

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss attributable to common shareholders for the for the three and nine months ended September 30, 2011, and the three months ended September 30, 2010, income attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the three and nine months ended September 30, 2011 and 2010, as the effects would be antidilutive for those periods. As such, 574,156 of potential common shares were excluded from the diluted earnings per share calculation for the three and nine months ended September 30, 2011, and 988,200 of potential common shares were excluded from the diluted earnings per share calculation for the three and nine months ended September 30, 2010.

18. Regulatory Capital

As a bank holding company, we and our wholly owned state-chartered banking subsidiary, Ally Bank, are subject to risk-based capital and leverage guidelines issued by federal and state banking regulators that require that our capital-to-assets ratios meet certain minimum standards. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements or the results of operations and financial condition of Ally and Ally Bank. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

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The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, and qualifying noncumulative perpetual preferred stock (including senior preferred stock issued and sold to Treasury under TARP) less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio of 4%.

The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

A banking institution meets the regulatory definition of "well-capitalized" when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6% and for insured depository institutions, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels.

In conjunction with the Supervisory Capital Assessment Program (S-CAP), the banking regulators have developed a new measure of capital called "Tier 1 common" defined as Tier 1 capital less noncommon elements including qualified perpetual preferred stock, qualifying minority interest in subsidiaries, and qualifying trust preferred securities.

On October 29, 2010, Ally, IB Finance Holding Company, LLC, Ally Bank, and the Federal Deposit Insurance Corporation (FDIC) entered into a Capital and Liquidity Maintenance Agreement (CLMA). The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank's leverage ratio is at least 15%. For this purpose, the leverage ratio is determined in accordance with the FDIC's regulations related to capital maintenance.

The following table summarizes our capital ratios.

	September 30, 2011		December 31, 2010		Required	Well-capitalized
(\$ in millions)	Amount	Ratio	Amount	Ratio	minimum	minimum
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	\$ 21,475	14.34%	\$ 22,189	15.00%	4.00%	6.00%
Ally Bank	12,545	18.45	10,738	19.23	4.00	6.00
Total (to risk-weighted assets)						
Ally Financial Inc.	\$ 23,199	15.50%	\$ 24,213	16.36%	15.00%(a)	10.00%
Ally Bank	13,333	19.61	11,438	20.48	8.00	10.00
Tier 1 leverage (to adjusted average assets) (b)						
Ally Financial Inc.	\$ 21,475	11.61%	\$ 22,189	13.05%	3.00 4.00%	(c)
Ally Bank	12,545	15.65	10,738	15.81	15.00(d)	5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	\$ 11,993	8.01%	\$ 12,677	8.57%	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

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n/a = not applicable

- (a) Ally is subject to a directive from the Board of Governors of the Federal Reserve System (FRB) to maintain a Total risk-based capital ratio of 15% which expires no later than December 31, 2011.
- (b) Federal regulatory reporting guidelines require the calculation of adjusted average assets using a daily average methodology. We currently calculate using a combination of monthly and daily average methodologies.
- (c) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.
- (d) Ally Bank, in accordance with the CLMA, is required to maintain a Tier 1 leverage ratio of at least 15%.

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At September 30, 2011, Ally and Ally Bank were well-capitalized and met all capital requirements to which we were subject.

Basel Capital Accord

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord (Capital Accord or Basel I) of the Bank for International Settlements Basel Committee on Banking Supervision (Basel Committee). The Capital Accord was published in 1988 and generally applies to depository institutions and their holding companies in the United States. In 2004, the Basel Committee published a revision to the Capital Accord (Basel II). The goal of the Basel II capital rules is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. U.S. banking regulators published final Basel II rules in December 2007. Ally is required to comply with the Basel II rules, as implemented by the U.S. banking regulators. Prior to full implementation of the Basel II rules, Ally is required to complete a qualification period that includes four consecutive quarters during which it needs to demonstrate that it meets the requirements of the rules to the satisfaction of its primary U.S. banking regulator. Pursuant to an extension that was granted to Ally, this qualification period, or parallel run, is required to begin no later than October 1, 2013. During this period, capital is calculated using both Basel I and Basel II methodologies. Upon completion of this parallel run and with the approval of the primary U.S. banking regulator, Ally will begin to use Basel II to calculate regulatory capital. Basel II contemplated a three-year transition period during which a bank holding company or bank gradually lower its capital level below the levels required by Basel I. However, under a recently finalized capital rule that implements a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Ally must continue to calculate its risk-based capital requirements under Basel I, with certain exceptions, and the capital requirements it computes under Basel I will serve as a floor for its risk-based capital requirement computed under Basel II.

In addition to Basel II, the Basel Committee adopted new capital, leverage, and liquidity guidelines under the Basel Accord (Basel III) in 2010, which, when implemented in the United States, may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. Basel III increases the minimum Tier 1 common equity ratio to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets, raising the target minimum common equity ratio to 7.0%. Basel III increases the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer, and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a non-risk-adjusted Tier 1 leverage ratio of 3%, based on a measure of the total exposure rather than total assets, and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multiyear period. The Basel III rules, when implemented, will also impose a 15% cap on the amount of the common equity component of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, MSRs and deferred tax assets through timing differences, as well as a 10% cap on the amount of each of the three individual items that may be included in the common equity component of Tier 1 capital. In addition, under Basel III rules, after a ten-year phaseout period beginning on January 1, 2013, trust preferred and other hybrid securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions (e.g., for debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other hybrid securities are phased out from Tier 1 capital in a three-year period starting January 1, 2013.

Pending final rules for Basel III and subsequent regulatory interpretation, there remains a degree of uncertainty on the full impact of Basel III. Additionally, it is anticipated that during 2011 the U.S. banking agencies will issue final rules based on the 2010 Notice of Proposed Rulemaking on the Risk-Based Capital Guidelines for Market Risk. We continue to monitor developments with respect to both Basel III and Market Risk rules.

In July 2011, the Financial Stability Board, which is an inter-governmental body coordinating the overall set of measures to reduce the moral hazard posed by global systemically important financial institutions, approved a consultative paper, which, if implemented in the United States, would require global systemically important banks in the United States to hold additional Tier 1 common equity of 1% to as much as 3.5% of risk-weighted assets. The additional capital requirement would

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be phased in between January 1, 2016 and January 1, 2019. We are not able to predict at this time whether Ally would meet the qualifications of a global systemically important bank and whether these additional capital requirements, when implemented in the United States, would apply to Ally.

Compliance with Basel regulation is a strategic priority for Ally. We expect to be in compliance with all relevant Basel rules within the established timelines.

19. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign-currency swaps, futures, forwards, options, and swaptions in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including investment securities, MSR, debt, and deposits. In addition, we use foreign exchange contracts to mitigate foreign-currency risk associated with foreign-currency-denominated debt, foreign exchange transactions, and our net investment in foreign subsidiaries. Our primary objective for utilizing derivative financial instruments is to manage market risk volatility associated with interest rate and foreign-currency risks related to the assets and liabilities.

Interest Rate Risk

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable rate and certain variable-rate instruments to a fixed rate. We monitor our mix of fixed- and variable-rate debt in relation to the rate profile of our assets. When it is cost effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt. Our qualifying accounting hedges consist of hedges of fixed-rate debt obligations in which receive-fixed swaps are designated as hedges of specific fixed-rate debt obligations. In June 2011, we also executed qualifying accounting hedges of an existing variable-rate liability in which pay fixed swaps are designated as hedges of the expected future cash flows in the form of interest payments on the outstanding borrowing associated with Ally Bank's secured floating-rate credit facility.

We apply hedge accounting to certain relationships in which we utilize derivative instruments to hedge interest rate risk associated with our fixed- and variable-rate debt. We enter into economic hedges to mitigate exposure for the following categories.

MSRs and retained interests Our MSR and retained interest portfolios are generally subject to loss in value when mortgage rates decline. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSR and retained interests. To mitigate the impact of this risk, we maintain a portfolio of financial instruments, primarily derivative instruments, which increase in value when interest rates decline. The primary objective is to minimize the overall risk of loss in the value of MSR and retained interests due to the change in fair value caused by interest rate changes and their interrelated impact to prepayments.

We may use a multitude of derivative instruments to manage the interest rate risk related to MSR and retained interests. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, mortgage-backed securities (MBS), futures, U.S. Treasury futures, interest rate swaps, interest rate floors, and interest rate caps. We monitor and actively manage our risk on a daily basis.

Mortgage loan commitments and mortgage loans held-for-sale We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the time the mortgage loan is sold. Changes in interest rates impact the market price for our

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loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

The primary derivative instrument we use to accomplish the risk management objective for mortgage loans and IRLCs is forward sales of mortgage-backed securities, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale. We also use other derivatives, such as options and futures, to economically hedge certain portions of the mortgage portfolio.

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Nonderivative instruments may also be periodically used to economically hedge the mortgage portfolio, such as short positions on U.S. Treasuries. We monitor and actively manage our risk on a daily basis.

Debt With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowing associated with Ally Bank's secured floating-rate credit facility, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.

Other We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Currency Risk

We enter into derivative financial instrument contracts to mitigate the risk associated with variability in cash flows related to foreign-currency financial instruments. Currency swaps and forwards are used to economically hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed. Similar to our interest rate derivatives, the swaps are generally entered into or traded concurrent with the debt issuance with the terms of the swap matching the terms of the underlying debt.

Our foreign subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign-currency exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our other comprehensive income (loss). We enter into foreign-currency forwards and option-based contracts with external counterparties to hedge foreign exchange exposure on our net investments in foreign subsidiaries. In March 2011, we elected to dedesignate all of our existing net investment hedge relationships and changed our method of measuring hedge effectiveness from the spot method to the forward method for new hedge relationships entered into during the remainder of the quarter and prospectively. For the net investment hedges that were designated under the spot method for the first portion of the quarter, the hedges were recorded at fair value with changes recorded to other comprehensive income (loss) with the exception of the spot to forward difference that was recorded to earnings. For the new net investment hedges that were designated under the forward method, the hedges were recorded at fair value with the changes recorded to other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

In addition, we have a centralized lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign-currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign-currency derivatives with external counterparties. Our foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

Except for our net investment hedges, we generally have not elected to treat any foreign-currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign-currency swaps are substantially offset by the foreign-currency revaluation gains and losses of the underlying assets and liabilities.

Credit Risk

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Derivative financial instruments contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contract completely fail to perform under the terms of those contracts, assuming no recoveries of underlying collateral as measured by the market value of the derivative financial instrument.

To mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total

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obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. We also have unilateral collateral agreements whereby we are the only entity required to post collateral.

Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. If a credit risk-related event had been triggered at September 30, 2011, the amount of additional collateral required to be posted by us would have been insignificant.

We placed cash and securities collateral totaling \$1.3 billion and \$1.6 billion at September 30, 2011, and December 31, 2010, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling \$1.5 billion and \$916 million at September 30, 2011, and December 31, 2010, respectively. The receivables for collateral placed and the payables for collateral received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. At September 30, 2011, and December 31, 2010, we received noncash collateral of \$122 million and \$29 million, respectively.

Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories.

	September 30, 2011			December 31, 2010		
	Derivative contracts in a receivable	Derivative contracts in a payable	Notional	Derivative contracts in a receivable	Derivative contracts in a payable	Notional
(\$ in millions)	position (a)	position (b)	amount	position (a)	position (b)	amount
Qualifying accounting hedges						
Interest rate risk						
Fair value accounting hedges	\$ 178	\$ 2	\$ 8,623	\$ 443	\$ 114	\$ 11,895
Cash flow hedges		9	3,000			
Foreign exchange risk						
Net investment accounting hedges	314	12	8,098	12	72	4,407
Total qualifying accounting hedges	492	23	19,721	455	186	16,302
Economic hedges						
Interest rate risk						
MSRs and retained interests	7,334	7,020	580,971	2,896	3,118	325,768
Mortgage loan commitments and mortgage loans held-for-sale	158	215	41,207	232	80	38,788
Debt	79	66	21,973	160	107	21,269
Other	185	112	44,045	80	129	32,734
Total interest rate risk	7,756	7,413	688,196	3,368	3,434	418,559

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Foreign exchange risk	114	46	6,652	143	240	14,359
Total economic hedges	7,870	7,459	694,848	3,511	3,674	432,918
Total derivatives	\$ 8,362	\$ 7,482	\$ 714,569	\$ 3,966	\$ 3,860	\$ 449,220

- (a) Reported as other assets on the Condensed Consolidated Balance Sheet. Includes accrued interest of \$475 million and \$263 million at September 30, 2011, and December 31, 2010, respectively.
- (b) Reported as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. Includes accrued interest of \$558 million and \$23 million at September 30, 2011, and December 31, 2010, respectively.

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Statement of Income Presentation and Accumulated Other Comprehensive Income

The following table summarizes the location and amounts of gains and losses reported in our Condensed Consolidated Statement of Income on derivative instruments.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Qualifying accounting hedges				
Gain recognized in earnings on derivatives (a)				
Interest rate contracts				
Interest on long-term debt	\$ 706	\$ 230	\$ 821	\$ 627
Loss recognized in earnings on hedged items (b)				
Interest rate contracts				
Interest on long-term debt	(677)	(215)	(786)	(562)
Total qualifying accounting hedges	29	15	35	65
Economic hedges				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Interest on long-term debt			(1)	
Servicing asset valuation and hedge activities, net	741	495	664	1,285
Loss on mortgage and automotive loans, net	(425)	(169)	(646)	(570)
Other income, net of losses	(41)	(29)	(74)	(55)
Other operating expenses		(2)		(8)
Total interest rate contracts	275	295	(57)	652
Foreign exchange contracts (c)				
Interest on long-term debt	41	121	103	(113)
Other income, net of losses	111	(305)	(11)	205
Other operating expenses	(6)		(16)	
Total foreign exchange contracts	146	(184)	76	92
Gain recognized in earnings on derivatives	\$ 450	\$ 126	\$ 54	\$ 809

(a) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were \$64 million and \$62 million for the three months ended September 30, 2011 and 2010, respectively, and \$231 million and \$249 million for the nine months ended September 30, 2011 and 2010, respectively.

(b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were \$49 million and \$60 million for the three months ended September 30, 2011 and 2010, respectively, and \$162 million and \$139 million for the nine months ended September 30, 2011 and 2010, respectively.

(c)

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Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Losses of \$157 million and gains \$178 million were recognized for the three months ended September 30, 2011 and 2010, respectively. Losses of \$105 million and \$119 million were recognized for the nine months ended September 30, 2011 and 2010, respectively.

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The following table summarizes derivative instruments used in net investment hedge accounting relationships.

	Three months ended September 30,		Nine months ended September 30,	
<i>(\$ in millions)</i>	2011	2010	2011	2010
Net investment hedges				
Foreign exchange contracts				
Loss recorded directly to other income, net of losses (a)	\$	\$ (7)	\$ (3)	\$ (8)
Gain (loss) recognized in other comprehensive income (b)	432	(118)	206	(97)
(Loss) gain reclassified from accumulated other comprehensive income to other income, net of losses	(3)		(8)	17

(a) The amounts represent the forward points which were excluded from the assessment of hedge effectiveness.

(b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were offsetting losses of \$446 million and offsetting gains of \$114 million for the three months ended September 30, 2011 and 2010, respectively. There were offsetting losses of \$237 million and offsetting gains of \$91 million for the nine months ended September 30, 2011 and 2010, respectively.

20. Income Taxes

We recognized total income tax expense from continuing operations of \$87 million and \$101 million during the three months and nine months ended September 30, 2011, respectively, compared to \$48 million and \$117 million for the same periods in 2010. A reconciliation of the statutory U.S. federal income tax rate to our effective income tax rate for continuing operations is shown in the following table.

	2011		2010	
Three months ended September 30, <i>(\$ in millions)</i>	Amount	Percent	Amount	Percent
Statutory U.S. federal tax (benefit) expense and rate	\$ (43)	35.0%	\$ 114	35.0%
Change in tax rate resulting from				
Effect of valuation allowance change	175	(142.3)	(54)	(16.6)
Foreign tax differential	(34)	27.6	1	0.3
State and local income taxes, net of federal income tax benefit	(8)	6.5	(3)	(0.9)
Taxes on unremitted foreign earnings	4	(3.3)	10	3.1
Tax-exempt income	(2)	1.6	(1)	(0.3)
Foreign capital loss			(25)	(7.7)
Other, net	(5)	4.2	6	1.9
Tax expense and effective tax rate	\$ 87	(70.7)%	\$ 48	14.8%

	2011		2010	
Nine months ended September 30, <i>(\$ in millions)</i>	Amount	Percent	Amount	Percent
Statutory U.S. federal tax expense and rate	\$ 60	35.0%	\$ 331	35.0%
Change in tax rate resulting from				

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Effect of valuation allowance change	126	73.7	(247)	(26.1)
Foreign tax differential	(79)	(46.2)	(4)	(0.4)
Taxes on unremitted foreign earnings	22	12.9	15	1.6
State and local income taxes, net of federal income tax benefit	(15)	(8.8)	2	0.2
Tax-exempt income	(4)	(2.3)	(5)	(0.5)
Foreign capital loss			29	3.1
Other, net	(9)	(5.2)	(4)	(0.5)
Tax expense and effective tax rate	\$ 101	59.1%	\$ 117	12.4%

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During the nine months ended September 30, 2011, we recorded a \$101 million reversal of valuation allowance on net deferred tax assets in one of our Canadian subsidiaries. The reversal related to modifications to the legal structure of our Canadian operations. Additionally, we recorded other net increases to our consolidated valuation allowance on deferred tax assets of \$180 million, stemming primarily from net pre-tax losses within our U.S.-based operations during the period.

21. Fair Value

Fair Value Measurements

For purposes of this disclosure, fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions market participants would use when pricing an asset or liability. Additionally, entities are required to consider all aspects of nonperformance risk, including the entity's own credit standing, when measuring the fair value of a liability.

GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

Level 1	Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.
Level 2	Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

Transfers	Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no significant transfers between any levels during the nine months ended September 30, 2011.
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Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized.

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Available-for-sale securities Available-for-sale securities are carried at fair value primarily based on observable market prices. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).

Loans held-for-sale, net Our mortgage loans held-for-sale are accounted for at either fair value because of fair value option elections or they are accounted for at the lower-of-cost or fair value. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as

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GSE eligibility (domestic only), product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of mortgage loans held-for-sale. The methodology used depends on the exit market as described below.

Level 2 mortgage loans This includes all agency-eligible mortgage loans carried at fair value due to fair value option election, which are valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available.

Level 3 mortgage loans This includes all conditional repurchase option loans carried at fair value due to the fair value option election and all nonagency-eligible residential mortgage loans that are accounted for at the lower of cost or fair value. The fair value of these residential mortgage loans are determined using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for further information about the fair value elections.

Consumer mortgage finance receivables and loans, net We elected the fair value option for certain consumer mortgage finance receivables and loans. The elected mortgage loans collateralized on-balance sheet securitization debt in which we estimated credit reserves pertaining to securitized assets that could have exceeded or already had exceeded our economic exposure. We also elected the fair value option for all mortgage securitization trusts required to be consolidated due to the adoption of ASU 2009-17. The elected mortgage loans represent a portion of the consumer finance receivable and loans consolidated upon adoption of ASU 2009-17. The balance that was not elected was reported on the balance sheet at the principal amount outstanding, net of charge-offs, allowance for loan losses, and premiums or discounts.

Securitized mortgage loans are legally isolated from us and are beyond the reach of our creditors. The loans are measured at fair value using a portfolio approach. The objective in fair valuing the loans and related securitization debt is to account properly for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds are expected to be volatile. Since this approach involves the use of significant unobservable inputs, we classified all the mortgage loans elected under the fair value option as Level 3, at September 30, 2011, and December 31, 2010. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

Commercial finance receivables and loans, net We evaluate our commercial finance receivables and loans, net, for impairment. We generally base the evaluation on the fair value of the underlying collateral supporting the loans when expected to be the sole source of repayment. When the carrying value exceeds the fair value of the collateral, an impairment loss is recognized and reflected as a nonrecurring fair value measurement.

MSRs We typically retain MSRs when we sell assets into the secondary market. MSRs are classified as Level 3 because they currently do not trade in an active market with observable prices; therefore, we use internally developed discounted cash flow models (an income approach) to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate.

Interests retained in financial asset sales Interests retained in financial asset sales are carried at fair value. The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to

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inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).

Derivative instruments We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of these instruments, we utilize the exchange prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

We also execute over-the-counter derivative contracts, such as interest rate swaps, swaptions, forwards, caps, floors, and agency to-be-announced securities. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are entered into the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable.

We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Additionally, we hold some foreign currency derivative contracts that utilize an in-house valuation model to determine the fair value of the contracts. Accordingly, we classified all of the above-mentioned derivative contracts as Level 3.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We reduce credit risk on the majority of our derivatives by entering into legally enforceable agreements that enable the posting and receiving of collateral associated with the fair value of our derivative positions on an ongoing basis. In the event that we do not enter into legally enforceable agreements that enable the posting and receiving of collateral, we will consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA), if warranted. The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty.

Collateral placed with counterparties Collateral in the form of investment securities are primarily carried at fair value using quoted prices in active markets for similar assets.

Reposessed and foreclosed assets Foreclosed on or reposessed assets resulting from loan defaults are carried at the lower of either cost or fair value and are included in other assets on the Condensed Consolidated Balance Sheet. The fair value disclosures include only assets carried at fair value.

The majority of assets acquired due to default are foreclosed assets. We revalue foreclosed assets on a periodic basis. We classified properties that are valued by independent third-party appraisals as Level 2. When third-party appraisals are not obtained, valuations are typically obtained from third-party broker price opinion; however, depending on the circumstances, the property list price or other sales price information may be used in lieu of a broker price opinion. Based on historical experience, we adjust these values downward to take into account damage and other factors that typically cause the actual liquidation value of foreclosed properties to be less than broker price opinion or other price sources. This valuation adjustment is necessary to ensure the valuation ascribed to these assets considers unique factors and circumstances surrounding the foreclosed asset. As a result of applying internally developed adjustments to the third-party-provided valuation of the foreclosed property, we classified these assets as Level 3 in the fair value disclosures.

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On-balance sheet securitization debt We elected the fair value option for certain mortgage loans held-for-investment and the related on-balance sheet securitization debt. We value securitization debt that was elected pursuant to the fair value option and any economically retained positions using market observable prices whenever possible. The securitization debt is principally in the form of asset- and mortgage-backed securities collateralized by the underlying mortgage loans held-for-investment. Due to the attributes of the underlying collateral and current market conditions, observable prices for these instruments are typically not available. In these situations, we consider observed transactions as Level 2 inputs in our discounted cash flow models. Additionally, the discounted cash flow models utilize other market observable inputs, such as interest rates, and internally derived inputs including prepayment speeds, credit losses, and discount rates. Fair value option-elected financing securitization debt is classified as Level 3 as a result of the reliance on significant assumptions and estimates for model inputs. Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for further information about the election. The debt that was not elected under the fair value option is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED****CONSOLIDATED FINANCIAL STATEMENTS (unaudited)*****Recurring Fair Value***

The following tables display the assets and liabilities measured at fair value on a recurring basis including financial instruments elected for the fair value option. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The tables below display the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk management activities.

September 30, 2011 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading securities				
Mortgage-backed residential	\$	\$ 469	\$ 34	\$ 503
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	638	407		1,045
States and political subdivisions		1		1
Foreign government	583	344		927
Mortgage-backed residential		6,683	1	6,684
Asset-backed		2,389	64	2,453
Corporate debt securities	3	1,192		1,195
Other debt securities		565		565
Total debt securities	1,224	11,581	65	12,870
Equity securities (a)	1,104	7		1,111
Total available-for-sale securities	2,328	11,588	65	13,981
Mortgage loans held-for-sale, net (b)		3,174	30	3,204
Consumer mortgage finance receivables and loans, net (b)			841	841
Mortgage servicing rights			2,663	2,663
Other assets				
Interests retained in financial asset sales			297	297
Derivative contracts in a receivable position				
Interest rate	110	7,656	168	7,934
Foreign currency		423	5	428
Total derivative contracts in a receivable position	110	8,079	173	8,362
Collateral placed with counterparties (c)	253			253
Total assets	\$ 2,691	\$ 23,310	\$ 4,103	\$ 30,104
Liabilities				
Long-term debt				
On-balance sheet securitization debt (b)	\$	\$	\$ (831)	\$ (831)
Accrued expenses and other liabilities				

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Derivative contracts in a payable position

Interest rate	(62)	(7,334)	(28)	(7,424)
Foreign currency		(55)	(3)	(58)

Total derivative contracts in a payable position	(62)	(7,389)	(31)	(7,482)
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Loan repurchase liabilities (b)			(28)	(28)
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Trading liabilities	(35)	(39)		(74)
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Total liabilities	\$ (97)	\$ (7,428)	\$ (890)	\$ (8,415)
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(a) Our investment in one industry did not exceed 18%.

(b) Carried at fair value due to fair value option elections.

(c) Represents collateral in the form of investment securities. Cash collateral was excluded above.

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December 31, 2010 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading securities				
U.S. Treasury and federal agencies	\$ 77	\$	\$	\$ 77
Mortgage-backed residential		25	44	69
Asset-backed			94	94
Total trading securities	77	25	138	240
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	3,313	5		3,318
States and political subdivisions		2		2
Foreign government	873	375		1,248
Mortgage-backed residential		5,824	1	5,825
Asset-backed		1,948		1,948
Corporate debt securities		1,558		1,558
Other debt securities		151		151
Total debt securities	4,186	9,863	1	14,050
Equity securities (a)	796			796
Total available-for-sale securities	4,982	9,863	1	14,846
Mortgage loans held-for-sale, net (b)		6,420	4	6,424
Consumer mortgage finance receivables and loans, net (b)			1,015	1,015
Mortgage servicing rights			3,738	3,738
Other assets				
Interests retained in financial asset sales			568	568
Derivative contracts in a receivable position				
Interest rate	242	3,464	105	3,811
Foreign currency		155		155
Total derivative contracts in a receivable position	242	3,619	105	3,966
Collateral placed with counterparties (c)	728			728
Total assets	\$ 6,029	\$ 19,927	\$ 5,569	\$ 31,525
Liabilities				
Long-term debt				
On-balance sheet securitization debt (b)	\$	\$	\$ (972)	\$ (972)
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	(208)	(3,222)	(118)	(3,548)
Foreign currency		(312)		(312)
Total derivative contracts in a payable position	(208)	(3,534)	(118)	(3,860)

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Total liabilities	\$ (208)	\$ (3,534)	\$ (1,090)	\$ (4,832)
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- (a) Our investment in one industry did not exceed 23%.
- (b) Carried at fair value due to fair value option elections.
- (c) Represents collateral in the form of investment securities. Cash collateral was excluded above.

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The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The Level 3 items presented below may be hedged by derivatives and other financial instruments that are classified as Level 1 or Level 2. Thus, the following tables do not fully reflect the impact of our risk management activities.

	Level 3 recurring fair value measurements								Net unrealized gains (losses) included in earnings still held at September 30, 2011	
	Net realized/unrealized gains (losses)		included in other comprehensive income		Purchases	Sales	Issuances	Settlements	Fair value at September 30, 2011	
(\$ in millions)	Fair value at July 1, 2011	included in earnings								
Assets										
Trading securities										
Mortgage-backed residential	\$ 39	\$ (2)(a)	\$	\$	\$	\$	\$	\$ (3)	\$ 34	\$
Investment securities										
Available-for-sale securities										
Debt securities										
Mortgage-backed residential	1								1	
Asset-backed	67		(3)						64	
Total investment securities	68		(3)						65	
Mortgage loans held-for-sale, net (c)	22	(1)(b)		14				(5)	30	(1)(b)
Consumer mortgage finance receivables and loans, net (c)	946	57(b)						(162)	841	4(b)
Mortgage servicing rights	3,701	(1,212)(c)		15		159			2,663	(1,212)(c)
Other assets										
Interests retained in financial asset sales	307	10(d)				2		(22)	297	(6)(d)
Derivative contracts, net										
Interest rate	87	59(e)						(6)	140	115(e)
Foreign currency		2(e)							2	2(e)
Total derivative contracts in a receivable (payable) position, net	87	61						&		