

Ally Financial Inc.
Form 10-Q
November 09, 2010
Table of Contents

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, 2010, 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)

Edgar Filing: Ally Financial Inc. - Form 10-Q

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 8, 2010, the number of shares outstanding of the Registrant's common stock was 799,120 shares.

Table of Contents

ALLY FINANCIAL INC.

INDEX

	Page
<u>Part I Financial Information</u>	
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Statement of Income (unaudited)</u> <u>for the Three and Nine Months Ended September 30, 2010 and 2009</u>	3
<u>Condensed Consolidated Balance Sheet (unaudited) at September 30, 2010, and December 31, 2009</u>	4
<u>Condensed Consolidated Statement of Changes in Equity (unaudited)</u> <u>for the Nine Months Ended September 30, 2010 and 2009</u>	6
<u>Condensed Consolidated Statement of Cash Flows (unaudited)</u> <u>for the Nine Months Ended September 30, 2010 and 2009</u>	8
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	10
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	78
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	130
Item 4. <u>Controls and Procedures</u>	130
<u>Part II Other Information</u>	
Item 1. <u>Legal Proceedings</u>	131
Item 1A. <u>Risk Factors</u>	131
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	133
Item 3. <u>Defaults Upon Senior Securities</u>	133
Item 4. <u>(Removed and Reserved)</u>	133
Item 5. <u>Other Information</u>	133
Item 6. <u>Exhibits</u>	133
<u>Signatures</u>	134
<u>Index of Exhibits</u>	135

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

(\$ in millions)	Three months ended		Nine months ended	
	September 30, 2010	2009	September 30, 2010	2009
Financing revenue and other interest income				
Finance receivables and loans				
Consumer	\$ 1,149	\$ 1,124	\$ 3,407	\$ 3,532
Commercial	470	407	1,361	1,259
Notes receivable from General Motors	40	55	135	144
Total finance receivables and loans	1,659	1,586	4,903	4,935
Loans held-for-sale	153	114	524	282
Interest on trading securities	5	62	12	119
Interest and dividends on available-for-sale investment securities	88	49	279	162
Interest-bearing cash	22	19	54	88
Other interest income, net		1		56
Operating leases	855	1,386	3,029	4,491
Total financing revenue and other interest income	2,782	3,217	8,801	10,133
Interest expense				
Interest on deposits	172	178	485	535
Interest on short-term borrowings	110	121	322	464
Interest on long-term debt	1,451	1,449	4,295	4,685
Total interest expense	1,733	1,748	5,102	5,684
Depreciation expense on operating lease assets	454	894	1,636	3,007
Net financing revenue	595	575	2,063	1,442
Other revenue				
Servicing fees	404	379	1,173	1,176
Servicing asset valuation and hedge activities, net	(27)	(110)	(181)	(687)
Total servicing income, net	377	269	992	489
Insurance premiums and service revenue earned	470	510	1,415	1,501
Gain on mortgage and automotive loans, net	326	177	863	666
(Loss) gain on extinguishment of debt	(2)	10	(123)	667
Other gain on investments, net	104	216	339	299
Other income, net of losses	181	229	456	(94)
Total other revenue	1,456	1,411	3,942	3,528
Total net revenue	2,051	1,986	6,005	4,970
Provision for loan losses	9	680	375	2,543

Edgar Filing: Ally Financial Inc. - Form 10-Q

Noninterest expense				
Compensation and benefits expense	393	416	1,208	1,170
Insurance losses and loss adjustment expenses	229	254	664	800
Other operating expenses	1,094	1,496	2,805	3,577
Total noninterest expense	1,716	2,166	4,677	5,547
Income (loss) from continuing operations before income tax expense (benefit)				
	326	(860)	953	(3,120)
Income tax expense (benefit) from continuing operations	48	(291)	117	681
Net income (loss) from continuing operations	278	(569)	836	(3,801)
(Loss) income from discontinued operations, net of tax	(9)	(198)	160	(1,544)
Net income (loss)	\$ 269	\$ (767)	\$ 996	\$ (5,345)

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, 2010	December 31, 2009
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,414	\$ 1,840
Interest-bearing	11,175	12,948
Total cash and cash equivalents	12,589	14,788
Trading securities	211	739
Investment securities		
Available-for-sale	11,925	12,155
Held-to-maturity		3
Total investment securities	11,925	12,158
Loans held-for-sale, net (\$6,978 and \$5,545 fair value elected)	13,265	20,625
Finance receivables and loans, net		
Consumer (\$2,948 and \$1,303 fair value elected)	60,185	42,849
Commercial	38,050	33,941
Notes receivable from General Motors	483	911
Allowance for loan losses	(2,054)	(2,445)
Total finance receivables and loans, net	96,664	75,256
Investment in operating leases, net	10,213	15,995
Mortgage servicing rights	2,746	3,554
Premiums receivable and other insurance assets	2,169	2,720
Other assets	21,817	19,887
Assets of operations held-for-sale	1,592	6,584
Total assets	\$ 173,191	\$ 172,306
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 2,547	\$ 1,755
Interest-bearing	35,410	30,001
Total deposit liabilities	37,957	31,756
Debt		
Short-term borrowings	5,914	10,292
Long-term debt (\$2,793 and \$1,293 fair value elected)	87,547	88,021
Total debt	93,461	98,313
Interest payable	1,824	1,637
Unearned insurance premiums and service revenue	2,937	3,192
Reserves for insurance losses and loss adjustment expenses	922	1,215
Accrued expenses and other liabilities	14,370	10,456
Liabilities of operations held-for-sale	743	4,898
Total liabilities	152,214	151,467

Edgar Filing: Ally Financial Inc. - Form 10-Q

Equity			
Common stock and paid-in capital		13,838	13,829
Preferred stock held by U.S. Department of Treasury		10,893	10,893
Preferred stock		1,287	1,287
Accumulated deficit		(5,480)	(5,630)
Accumulated other comprehensive income		439	460
Total equity		20,977	20,839
Total liabilities and equity	\$	173,191	\$ 172,306

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 at September 30, 2010, were as follows.

(\$ in millions)

Assets	
Cash and cash equivalents	
Noninterest-bearing	\$ 3
Loans held-for-sale, net	34
Finance receivables and loans, net	
Consumer (\$2,948 fair value elected)	19,568
Commercial	12,190
Allowance for loan losses	(262)
Total finance receivables and loans, net	31,496
Investment in operating leases, net	1,803
Other assets	4,718
Assets of operations held-for-sale	86
Total assets	\$ 38,140
Liabilities	
Debt	
Short-term borrowings	\$ 1,265
Long-term debt (\$2,793 fair value elected)	26,976
Total debt	28,241
Interest payable	28
Accrued expenses and other liabilities	551
Liabilities of operations held-for-sale	48
Total liabilities	\$ 28,868

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, 2010 and 2009**

(\$ in millions)	Members interests	Preferred interests	Preferred interests	Retained earnings	Accumulated other comprehensive (loss) income	Total equity	Comprehensive (loss) income
		held by U.S. Department of Treasury					
Balance at January 1, 2009	\$ 9,670	\$ 5,000	\$ 1,287	\$ 6,286	\$ (389)	\$ 21,854	
Capital contributions (a)	1,247					1,247	
Net loss				(4,578)		(4,578)	\$ (4,578)
Preferred interests dividends paid to the U.S. Department of Treasury				(160)		(160)	
Preferred interests dividends				(195)		(195)	
Dividends to members (a)				(119)		(119)	
Issuance of preferred interests held by U.S. Department of Treasury		7,500				7,500	
Other comprehensive income					497	497	497
Balance at June 30, 2009, before conversion from limited liability company to a corporation (b)	\$ 10,917	\$ 12,500	\$ 1,287	\$ 1,234	\$ 108	\$ 26,046	\$ (4,081)

(\$ in millions)	Common stock and paid-in capital	Preferred stock	Preferred stock	Retained earnings (accumulated deficit)	Accumulated other comprehensive income	Total equity	Comprehensive (loss) income
		held by U.S. Department of Treasury					
Balance at June 30, 2009, after conversion from limited liability company to a corporation	\$ 10,917	\$ 12,500	\$ 1,287	\$ 1,234	\$ 108	\$ 26,046	\$ (4,081)
Net loss				(767)		(767)	(767)
Preferred stock dividends paid to the U.S. Department of Treasury				(271)		(271)	
Preferred stock dividends (a)				(103)		(103)	
Dividends to shareholders (a)				(260)		(260)	
Other comprehensive income					296	296	296
Balance at September 30, 2009	\$ 10,917	\$ 12,500	\$ 1,287	\$ (167)	\$ 404	\$ 24,941	\$ (4,552)

Table of Contents**ALLY FINANCIAL INC.****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)****Nine Months Ended September 30, 2010 and 2009**

<i>(\$ in millions)</i>	Common stock and paid-in capital	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 (c)				(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 (a)				(212)		(212)	
Dividends to shareholders (a)				(8)		(8)	
Other comprehensive loss					(25)	(25)	(25)
Other (d)				74		74	
Balance at September 30, 2010	\$ 13,838	\$ 10,893	\$ 1,287	\$ (5,480)	\$ 439	\$ 20,977	\$ 971

(a) Refer to Note 18 to the Condensed Consolidated Financial Statements for further details.

(b) Effective June 30, 2009, we converted from a Delaware limited liability company into a Delaware corporation. Each unit of each class of common membership interest issued and outstanding immediately prior to the conversion was converted into an equivalent number of shares of common stock with substantially the same and preferences as the common membership interests. Upon conversion, holders of our preferred membership interests also received an equivalent number of preferred stock with substantially the same rights and preferences as the former preferred membership interests.

(c) Cumulative effect of change in accounting principle, net of tax, due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

(d) 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. Refer to Note 18 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, (<i>\$ in millions</i>)	2010	2009
Operating activities		
Net income (loss)	\$ 996	\$ (5,345)
Reconciliation of net income (loss) to net cash provided by operating activities		
Depreciation and amortization	3,246	4,746
Operating lease impairment		(117)
Impairment of goodwill and other intangible assets		641
Other impairment	58	226
Amortization and valuation adjustments of mortgage servicing rights	1,466	191
Provision for loan losses	397	2,712
Gain on sale of loans, net	(861)	(43)
Net gain on investment securities	(357)	(22)
Loss (gain) on extinguishment of debt	123	(667)
Originations and purchases of loans held-for-sale	(48,828)	(47,775)
Proceeds from sales and repayments of loans held-for-sale	55,046	42,387
Net change in:		
Trading securities	(22)	310
Deferred income taxes	(186)	893
Interest payable	176	197
Other assets	976	5,738
Other liabilities	698	(874)
Other, net	(1,388)	(1,246)
Net cash provided by operating activities	11,540	1,952
Investing activities		
Purchases of available-for-sale securities	(15,902)	(17,288)
Proceeds from sales of available-for-sale securities	13,380	6,669
Proceeds from maturities of available-for-sale securities	3,646	3,282
Net (increase) decrease in finance receivables and loans	(12,423)	9,813
Proceeds from sales of finance receivables and loans	2,554	457
Change in notes receivable from GM	1	751
Purchases of operating lease assets	(2,405)	(465)
Disposals of operating lease assets	6,719	4,894
(Purchases) sales of mortgage servicing rights, net	(45)	7
Sale of business unit, net (a)	(331)	96
Other, net	1,203	485
Net cash (used in) provided by investing activities	(3,603)	8,701

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

Nine months ended September 30, (<i>\$ in millions</i>)	2010	2009
Financing activities		
Net change in short-term debt	(4,856)	(919)
Net increase in bank deposits	4,776	8,132
Proceeds from issuance of long-term debt	32,235	23,851
Repayments of long-term debt	(43,827)	(51,000)
Proceeds from issuance of preferred stock held by U.S. Department of Treasury		7,500
Proceeds from issuance of common stock		1,247
Dividends paid	(862)	(1,082)
Other, net	1,255	1,282
Net cash used in financing activities	(11,279)	(10,989)
Effect of exchange-rate changes on cash and cash equivalents	501	(28)
Net decrease in cash and cash equivalents	(2,841)	(364)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	642	(562)
Cash and cash equivalents at beginning of year	14,788	15,151
Cash and cash equivalents at September 30,	\$ 12,589	\$ 14,225
Supplemental disclosures		
Cash paid for		
Interest	\$ 4,055	\$ 4,923
Income taxes	377	274
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	
Loans held-for-sale transferred to finance receivables and loans	37	803
Finance receivables and loans transferred to loans held-for sale	596	1,421
Finance receivables and loans transferred to other assets	187	406
Originations of mortgage servicing rights from sold loans	628	586
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	437	697
Proceeds from sales of repossessed, foreclosed, and owned real estate	396	923
Consolidation of loans, net		1,410
Consolidation of collateralized borrowings		1,184

(a) The amounts for the nine months ended September 30, 2010, are net of cash and cash equivalents of \$1.1 billion of business units at the time of disposition.

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

(c) Relates to the adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

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

Table of Contents

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 one of the world's largest automotive financial services companies. On December 24, 2008, we became a bank holding company under the Bank Holding Company Act of 1956, as amended. Our primary banking subsidiary is Ally Bank, which is an indirect wholly owned subsidiary of Ally Financial Inc.

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, 2010, and for the three months and nine months ended September 30, 2010 and 2009, 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, 2009, as filed on February 26, 2010, with the U.S. Securities and Exchange Commission (SEC), as amended by the Current Report on Form 8-K filed with the SEC on October 12, 2010.

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. 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's consolidated tangible net worth, as defined, was \$859 million at September 30, 2010, and ResCap remained in compliance with all of its consolidated tangible net worth covenants. For this purpose, consolidated tangible net worth is defined as ResCap's consolidated equity excluding intangible assets. 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 2010 or future periods.

ResCap actively manages its liquidity and capital positions and is continually working on 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 government and prime conforming products; exploring strategic alternatives such as alliances, joint ventures, and other transactions with third parties with respect to certain ResCap assets and businesses; 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 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. The sale of these operations was completed on October 1, 2010. Certain components of the sale were completed on September 30, 2010. Refer to Note 2 for additional information on the sale. We also completed the sale of certain higher-risk legacy mortgage assets and settled representation and warranty claims with certain counterparties. The ongoing focus of our Mortgage operations will be predominately the origination and servicing of conforming mortgages. While the opportunities for further risk mitigation remain, the risk in the Mortgage operations has been materially reduced as compared to recent levels.

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

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, a merger, sale, asset sales, consolidation, spin-off, distribution, or other business combination or reorganization or similar action with respect to all or part of ResCap and/or its affiliates. In this context, Ally and ResCap typically consider a number of factors to the extent applicable and appropriate including, without limitation, the financial condition, results of operations, and prospects of Ally and ResCap; 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 are currently no commitments or assurances for future funding and/or 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, 2010, we had approximately \$2.1 billion in secured financing arrangements with ResCap of which approximately \$1.3 billion in loans was utilized. 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 \$859 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 would 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.

Corporate Conversion

Effective June 30, 2009, we converted (the Conversion) from a Delaware limited liability company to a Delaware corporation pursuant to Section 18-216 of the Delaware Limited Liability Company Act and Section 265 of the Delaware General Corporation Law. In connection with the Conversion, each unit of each class of common and preferred membership interests issued and outstanding immediately prior to the Conversion was converted into shares of capital stock with substantially the same rights and preferences as such membership interests. Refer to Note 17 for additional information regarding the tax impact of the conversion.

Recently Adopted Accounting Standards***Accounting for Transfers of Financial Assets (ASU 2009-16)***

As of January 1, 2010, we adopted ASU 2009-16 (formerly Statement of Financial Accounting Standards Board (SFAS) No. 166), which amended Accounting Standards Codification (ASC) Topic 860, *Transfers and Servicing*. This standard removes the concept of a qualifying special-purpose entity (QSPE) and creates more stringent conditions for reporting a sale when a portion of a financial asset is transferred. To

Edgar Filing: Ally Financial Inc. - Form 10-Q

determine if a transfer is to be accounted for as a sale, the transferor must assess whether the transferor and all of the entities included in the transferor's consolidated financial statements surrendered

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

control of the assets. For partial asset transfers, the transferred portion must represent a pro rata component of the entire asset with no form of subordination. This standard is applied prospectively for transfers that occur on or after the effective date; however, the elimination of the QSPE concept required us to retrospectively assess all current off-balance sheet QSPE structures for consolidation under ASC Topic 810, *Consolidation*, and record a cumulative-effect adjustment to retained earnings for any consolidation change. Retrospective application of ASU 2009-16, specifically the QSPE removal, was assessed as part of the analysis required by ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to the section below for further information related to ASU 2009-17.

Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17)

As of January 1, 2010, we adopted ASU 2009-17 (formerly SFAS No. 167), which amended ASC Topic 810, *Consolidation*. This standard addresses the primary beneficiary assessment criteria for determining whether an entity is required to consolidate a variable interest entity (VIE). This standard requires an entity to determine whether it is the primary beneficiary by performing a qualitative assessment rather than using the quantitative-based model that was required under the previous accounting guidance. The qualitative assessment consists of determining whether the entity has both the power to direct the activities that most significantly impact the VIE's economic performance and the right to receive benefits or obligation to absorb losses that could potentially be significant to the VIE. As a result of the implementation of ASU 2009-16 and ASU 2009-17, several of our securitization structures previously held off-balance sheet were recognized as consolidated entities resulting in a day-one increase of \$17.6 billion to assets and liabilities on our Condensed Consolidated Balance Sheet (\$10.1 billion of the increase related to operations classified as held-for-sale). As part of the day-one entry, there was an immaterial adjustment to our opening equity balance.

Expanded Disclosures about Fair Value Measurements (ASU 2010-06)

As of March 31, 2010, we adopted the majority of ASU 2010-06, which amends ASC Topic 820, *Fair Value Measurements*. The ASU requires fair value disclosures for each asset and liability class, disclosures related to inputs and valuation methods for measurements that use Level 2 or Level 3 inputs, disclosures of significant transfers between Levels 1 and 2, and the gross presentation of significant transfers into or out of Level 3 within the Level 3 rollforward. The ASU also requires the gross presentation of purchases, sales, issuances, and settlements within the Level 3 rollforward; however, this specific requirement will be effective for us during the three months ended March 31, 2011. The disclosure requirement by class is a higher level of disaggregation compared to the previous requirement, which was based on the major asset or liability category. While the adoption of ASU 2010-06 expanded our disclosures related to fair value measurements, it did not modify the accounting treatment or measurement of items at fair value and, as such, did not have a material impact on our financial statements.

Derivatives and Hedging – Scope Exception Related to Embedded Credit Derivatives (ASU 2010-11)

In March 2010, the FASB issued ASU 2010-11, which clarifies that the transfer of credit risk that is only in the form of subordination of one financial instrument to another financial instrument (such as the subordination of one beneficial interest to another tranche of a securitization) is an embedded derivative feature. The embedded derivative feature should not be subject to potential bifurcation or separate accounting under ASC 815, *Derivatives and Hedging*. In addition, the ASU provides guidance on whether other embedded credit derivatives in financial instruments are subject to bifurcation and separate accounting. ASU 2010-11 was effective for us on July 1, 2010, and the adoption did not have a material impact on our consolidated financial condition or results of operation.

Recently Issued Accounting Standards***Revenue Arrangements with Multiple Deliverables (ASU 2009-13)***

In October 2009, the FASB issued ASU 2009-13, which amends ASC Topic 605, *Revenue Recognition*. The guidance significantly changes the accounting for revenue recognition in arrangements with multiple deliverables and eliminates the residual method, which allocated the discount of a multiple deliverable arrangement among the delivered items. Under the guidance, entities will be required to allocate the total consideration to all 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. ASU 2009-13 is effective for revenue arrangements that we enter into or materially modify on or after January 1, 2011. We do not expect the adoption to have a material impact to our consolidated financial condition or results of operation.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

In July 2010, the FASB issued ASU 2010-20, which requires expanded disclosures related to the credit quality of finance receivables and loans. This disclosure will be effective for us during the December 31, 2010, reporting period. The ASU also requires a rollforward of the allowance for loan losses for each reporting period, which will be effective for us during the March 31, 2011, reporting period. Since the guidance relates only to disclosures, adoption will not have a material effect on our consolidated financial condition or results of operation.

2. Discontinued and Held-for-sale Operations
Discontinued Operations

During 2009, we committed to sell certain operations of ResCap's International Business Group (IBG). These operations included residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations in the United Kingdom and continental Europe (the Netherlands and Germany). During the three months ended June 30, 2010, we classified the U.K. operations as discontinued. The continental Europe operations met the discontinued operations criteria during the three months ended December 31, 2009. On September 30, 2010, and October 1, 2010, we completed the sale of these operations. The components of the sale that were completed on October 1, 2010, were classified as assets and liabilities of operations held-for-sale on our Condensed Consolidated Balance Sheet at September 30, 2010, and were valued consistently with the proceeds received from the sale.

During 2009, we committed to sell the U.S. consumer property and casualty insurance business of our Insurance operations. These operations provided vehicle and home insurance in the United States through a number of distribution channels including independent agents, affinity groups, and the internet. The sale of our U.S. consumer property and casualty insurance business was completed during the first quarter of 2010. Additionally, during 2009, we committed to sell the U.K. consumer property and casualty insurance business. We are in active negotiations and expect to complete the sale during the first half of 2011.

During the three months ended June 30, 2010, we ceased to operate at our International Automotive Finance operations in Australia and Russia and classified them as discontinued.

During 2009, we committed to sell certain operations of our International Automotive Finance operations including our Argentina, Poland, and Ecuador operations and our Masterlease operations in Australia, Belgium, France, Italy, Mexico, the Netherlands, Poland, and the United Kingdom. Our Masterlease operations provide full-service individual leasing and fleet leasing products including maintenance, fleet, and accident management services as well as fuel programs, short-term vehicle rental, and title and licensing services. During 2009, the sales of the Masterlease operations in Italy, Mexico, and the Netherlands were completed. During the three months ended June 30, 2010, we completed the sale of our Poland operations and our Masterlease operations in Australia, Poland, Belgium, and France. In July 2010, we completed the sale of our Argentina operations. We are in active negotiations to complete the sale of our Masterlease operations in the United Kingdom and are awaiting satisfaction of certain closing conditions involving third parties in order to complete the sale of our Ecuador operations. We expect both to be completed within the next six months.

During 2009, we committed to sell the North American-based factoring business of our Commercial Finance Group. On April 30, 2010, the sale of the North American-based factoring business was completed.

We classified these operations as discontinued operations using generally accepted accounting principles in the United States of America, as the associated 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.

Edgar Filing: Ally Financial Inc. - Form 10-Q

The pretax income or loss recognized through September 30, 2010, 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.

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

Selected financial information of discontinued operations is summarized below.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Select Mortgage operations				
Total net revenue (loss)	\$ 25	\$ (29)	\$ 69	\$ (615)
Pretax (loss) income including direct costs to transact a sale	(46)	(91)	56	(861)
Tax expense (benefit)	5	(2)	(3)	(2)
Select Insurance operations				
Total net revenue	\$ 57	\$ 358	\$ 357	\$ 1,112
Pretax income (loss) including direct costs to transact a sale (a)	3	(52)	(3)	(604)
Tax (benefit)		(98)	(1)	(84)
Select International operations				
Total net revenue	\$ 24	\$ 102	\$ 97	\$ 264
Pretax income (loss) including direct costs to transact a sale (a)	34	(203)	92	(201)
Tax (benefit)	(4)	(47)	(3)	(43)
Select Commercial Finance operations				
Total net revenue	\$	\$ 17	\$ 11	\$ 32
Pretax income (loss) including direct costs to transact a sale (a)	1	2	8	(6)
Tax expense		1		1

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

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****Held-for-sale Operations**

The assets and liabilities held-for-sale at September 30, 2010, are summarized below.

<i>(\$ in millions)</i>	Select Mortgage operations (a)	Select Insurance operations (b)	Select International operations (c)	Total held-for-sale operations
Assets				
Cash and cash equivalents				
Noninterest-bearing	\$ 62	\$ 11	\$ 1	\$ 74
Interest-bearing	48	4	9	61
Total cash and cash equivalents	110	15	10	135
Trading securities	25			25
Investment securities available-for-sale		474		474
Loans held-for-sale, net	170			170
Finance receivables and loans, net				
Consumer	314		249	563
Allowance for loan losses	(26)		(2)	(28)
Total finance receivables and loans, net	288		247	535
Investment in operating leases, net			354	354
Premiums receivable and other insurance assets		163		163
Other assets	185	142	23	350
Impairment on assets of held-for-sale operations	(307)	(206)	(101)	(614)
Total assets	\$ 471	\$ 588	\$ 533	\$ 1,592
Liabilities				
Debt				
Short-term borrowings	\$	\$	\$ 44	\$ 44
Long-term debt			121	121
Total debt			165	165
Interest payable			1	1
Unearned insurance premiums and service revenue		127		127
Reserves for insurance losses and loss adjustment expenses		372		372
Accrued expenses and other liabilities	8	37	33	78
Total liabilities	\$ 8	\$ 536	\$ 199	\$ 743

(a) Includes operations of ResCap's International Business Group in continental Europe and in the United Kingdom. These operations were sold on October 1, 2010.

(b) Includes the U.K. consumer property and casualty insurance business and certain international insurance operations.

Edgar Filing: Ally Financial Inc. - Form 10-Q

(c) Includes the International Automotive Finance operations of Ecuador and Masterlease in the United Kingdom.

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

The assets and liabilities of held-for-sale operations at December 31, 2009, are summarized below.

<i>(\$ in millions)</i>	Select Mortgage operations (a)	Select Insurance operations (b)	Select International operations (c)	Select Commercial Finance Group operations (d)	Total held-for-sale operations
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 4	\$ 578	\$ 33	\$	\$ 615
Interest-bearing	151		11		162
Total cash and cash equivalents	155	578	44		777
Trading securities	36				36
Investment securities available-for-sale		794			794
Loans held-for-sale, net	214				214
Finance receivables and loans, net					
Consumer	2,650		400		3,050
Commercial			246	233	479
Notes receivable from General Motors			14		14
Allowance for loan losses	(89)		(11)		(100)
Total finance receivables and loans, net	2,561		649	233	3,443
Investment in operating leases, net			885		885
Mortgage servicing rights	(26)				(26)
Premiums receivable and other insurance assets		1,126			1,126
Other assets	512	176	135		823
Impairment on assets of held-for-sale operations	(903)	(231)	(324)	(30)	(1,488)
Total assets	\$ 2,549	\$ 2,443	\$ 1,389	\$ 203	\$ 6,584
Liabilities					
Debt					
Short-term borrowings	\$	\$ 34	\$ 57	\$	\$ 91
Long-term debt	1,749		237		1,986
Total debt	1,749	34	294		2,077
Interest payable	3		1		4
Unearned insurance premiums and service revenue		517			517
Reserves for insurance losses and loss adjustment expenses		1,471			1,471
Accrued expenses and other liabilities	430	84	128	187	829
Total liabilities	\$ 2,182	\$ 2,106	\$ 423	\$ 187	\$ 4,898

(a) Includes the operations of ResCap's International Business Group in continental Europe and in the United Kingdom.

Edgar Filing: Ally Financial Inc. - Form 10-Q

- (b) Includes the U.S. and U.K. consumer property and casualty insurance businesses.
- (c) Includes the International Automotive Finance operations of Argentina, Ecuador, and Poland and Masterlease in Australia, Belgium, France, Poland, and the United Kingdom.
- (d) Includes the North American-based factoring business of our Commercial Finance Group.

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

The following tables display the assets and liabilities of our held-for-sale operations 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 tables below display the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk management activities. Refer to Note 19 for descriptions of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

September 30, 2010 (<i>\$ in millions</i>)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading securities				
Mortgage-backed Residential	\$	\$	\$ 25	\$ 25
Total trading securities			25	25
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	308			308
Other		166		166
Total debt securities	308	166		474
Total assets	\$ 308	\$ 166	\$ 25	\$ 499

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

December 31, 2009 (<i>\$ in millions</i>)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading securities				
Mortgage-backed Residential	\$	\$	\$ 36	\$ 36
Total trading securities			36	36
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	243	2		245
States and political subdivisions		24		24
Foreign government	329			329
Corporate debt securities		7		7
Other		189		189
Total debt securities	572	222		794
Mortgage servicing rights			(26)	(26)
Other assets				
Interests retained in financial asset sales			153	153
Fair value of derivative contracts in receivable position				
Interest rate contracts		60		60
Total assets	\$ 572	\$ 282	\$ 163	\$ 1,017
Liabilities				
Accrued expenses and other liabilities				
Fair value of derivative contracts in liability position				
Interest rate contracts	\$	\$ (40)	\$	\$ (40)
Total liabilities	\$	\$ (40)	\$	\$ (40)

The following tables present the reconciliation for all Level 3 assets and liabilities of our held-for-sale operations 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.

(<i>\$ in millions</i>)	Fair value at July 1, 2010	Level 3 recurring fair value measurements			Fair value at September 30, 2010	Net unrealized gains included in earnings still held at
		Net realized/ unrealized gains (losses) included in earnings (a)	Purchases, issuances, and settlements, net			

Edgar Filing: Ally Financial Inc. - Form 10-Q

September 30,
2010 (a)

Assets					
Trading securities					
Mortgage-backed					
Residential	\$	\$	3	\$ 22	\$ 25
Consumer mortgage finance receivables and loans, net (b)	8,398		7	(8,405)	
Total assets	\$ 8,398	\$	10	\$ (8,383)	\$ 25
					\$ 3
Liabilities					
Secured debt					
On-balance sheet securitization debt (b)	\$ (7,857)	\$	(254)	\$ 8,111	\$
Total liabilities	\$ (7,857)	\$	(254)	\$ 8,111	\$

- (a) Reported as (loss) income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Income.
(b) Carried at fair value due to fair value option elections.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(\$ in millions)	Level 3 recurring fair value measurements				Net unrealized gains
	Fair value at January 1, 2010	Net realized/ unrealized gains (losses) included in earnings (a)	Purchases, issuances, and settlements, net	Fair value at September 30, 2010	included in earnings still held at September 30, 2010 (a)
Assets					
Trading securities					
Mortgage-backed Residential	\$ 36	\$ 3	\$ (14)	\$ 25	\$ 3
Total trading securities	36	3	(14)	25	3
Consumer mortgage finance receivables and loans, net (b)		422	(422) (c)		
Mortgage servicing rights	(26)		26		
Other assets					
Interests retained in financial asset sales	153		(153)		
Total assets	\$ 163	\$ 425	\$ (563)	\$ 25	\$ 3
Liabilities					
Secured debt					
On-balance sheet securitization debt (b)	\$	\$ (57)	\$ 57 (c)	\$	\$
Total liabilities	\$	\$ (57)	\$ 57	\$	\$

(a) Reported as (loss) income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Income.

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

(c) Includes a \$10.1 billion increase due to the adoption of ASU 2009-17 on January 1, 2010. This increase was subsequently offset when the operations were sold on September 30, 2010.

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,	
	2010	2009	2010	2009
Mortgage processing fees and other mortgage income	\$ 63	\$ 45	\$ 157	\$ 58
Remarketing fees	37	32	104	103
Late charges and other administrative fees	35	45	107	117
Full-service leasing fees	17	33	58	96
Other equity method investments	15	3	40	10

Edgar Filing: Ally Financial Inc. - Form 10-Q

Real estate services, net		(5)	8	(263)
Change due to fair value option elections (a)	(52)	(55)	(181)	(147)
Fair value adjustment on certain derivatives (b)	(57)	(31)	(115)	(92)
Other, net	123	162	278	24
Total other income, net of losses	\$ 181	\$ 229	\$ 456	\$ (94)

(a) Refer to Note 19 for a description of fair value option elections.

(b) Refer to Note 16 for a description of derivative instruments and hedging activities.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****4. Other Operating Expenses**

Details of other operating expenses were as follows.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Mortgage representation and warranty expense, net	\$ 344	\$ 507	\$ 490	\$ 917
Insurance commissions	150	170	446	483
Technology and communications expense	118	133	390	434
Professional services	82	122	201	327
Advertising and marketing	49	50	123	124
Vehicle remarketing and repossession	43	46	145	151
Lease and loan administration	40	37	107	118
Regulatory and licensing fees	32	24	87	72
State and local non-income taxes	31	45	92	100
Premises and equipment depreciation	24	17	63	61
Rent and storage	22	28	73	79
Full-service leasing vehicle maintenance costs	14	35	50	99
Restructuring expenses	4	9	61	9
Other	141	273	477	603
Total other operating expenses	\$ 1,094	\$ 1,496	\$ 2,805	\$ 3,577

5. Trading Securities

The fair value for our portfolio of trading securities by type was as follows.

(\$ in millions)	September 30, 2010	December 31, 2009
Trading securities		
U.S. Treasury	\$ 75	\$
Mortgage-backed		
Residential	46	143
Asset-backed	90	596
Total trading securities	\$ 211	\$ 739

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 and held-to-maturity securities were as follows.

(\$ in millions)	September 30, 2010			Fair value	December 31, 2009			Fair value
	Cost	Gross unrealized gains	losses		Cost	Gross unrealized gains	losses	
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 2,625	\$ 44	\$	\$ 2,669	\$ 3,501	\$ 15	\$ (6)	\$ 3,510
States and political subdivisions	4			4	779	36	(4)	811
Foreign government	1,265	36	(2)	1,299	1,161	20	(8)	1,173
Mortgage-backed								
Residential (a)	3,655	81	(5)	3,731	3,404	76	(19)	3,461
Asset-backed	1,676	20		1,696	1,000	7	(2)	1,005
Corporate debt	1,339	59	(2)	1,396	1,408	74	(9)	1,473
Other					47			47
Total debt securities (b)	10,564	240	(9)	10,795	11,300	228	(48)	11,480
Equity securities	1,166	30	(66)	1,130	631	52	(8)	675
Total available-for-sale securities (c)	\$ 11,730	\$ 270	\$ (75)	\$ 11,925	\$ 11,931	\$ 280	\$ (56)	\$ 12,155
Held-to-maturity securities								
Total held-to-maturity securities	\$	\$	\$	\$	\$ 3	\$	\$	\$ 3

(a) Residential mortgage-backed securities include agency-backed bonds totaling \$2,242 million and \$2,248 million at September 30, 2010, and December 31, 2009, respectively.

(b) In connection with certain borrowings and letters of credit relating to certain assumed reinsurance contracts, \$165 million and \$164 million of primarily U.K. Treasury securities were pledged as collateral at September 30, 2010, and December 31, 2009, respectively.

(c) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled \$13 million and \$15 million at September 30, 2010, and December 31, 2009, respectively.

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.

September 30, 2010 (\$ in millions)	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)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Fair value of available-for-sale debt securities (b)										

Edgar Filing: Ally Financial Inc. - Form 10-Q

U.S. Treasury and federal agencies	\$ 2,669	1.4%	\$ 384	0.7%	\$ 2,274	1.5%	\$ 11	3.7%	\$	%
States and political subdivisions	4	8.7							4	8.7
Foreign government	1,299	2.9	6	1.1	1,132	2.8	161	3.7		
Mortgage-backed										
Residential	3,731	4.6			58	3.5	51	4.5	3,622	4.6
Asset-backed	1,696	2.4	1		1,219	2.2	298	2.4	178	3.5
Corporate debt	1,396	4.3	25	5.4	684	3.8	517	4.5	170	5.2
Total available-for-sale debt securities	\$ 10,795	3.2%	\$ 416	0.9%	\$ 5,367	2.3%	\$ 1,038	3.8%	\$ 3,974	4.6%
Amortized cost of available-for-sale debt securities										
	\$ 10,564		\$ 417		\$ 5,256		\$ 992		\$ 3,899	

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

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

December 31, 2009 (<i>\$ in millions</i>)	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)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 3,510	1.9%	\$ 103	1.1%	\$ 3,390	1.9%	\$ 17	4.1%	\$	%
States and political subdivisions	811	7.0	9	7.0	175	7.2	147	7.0	480	6.9
Foreign government	1,173	3.8	66	1.7	872	3.8	229	4.5	6	5.3
Mortgage-backed										
Residential	3,461	6.5			2	6.5	36	13.0	3,423	6.4
Asset-backed	1,005	2.5	34	5.2	735	2.3	186	2.6	50	3.9
Corporate debt	1,473	5.2	283	3.4	575	5.8	570	5.4	45	6.9
Other	47	3.6			32	3.4	15	4.0		
Total available-for-sale debt securities	\$ 11,480	4.3%	\$ 495	2.8%	\$ 5,781	2.8%	\$ 1,200	5.2%	\$ 4,004	6.5%
Amortized cost of available-for-sale debt securities	\$ 11,300		\$ 473		\$ 5,728		\$ 1,169		\$ 3,930	

(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.

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

Certain highly liquid investment securities with maturities of three months or less from the date of purchase are classified as cash equivalents and are composed primarily of money market accounts and short-term securities, including U.S. Treasury bills. The carrying value of cash equivalents approximates fair value. The balance of cash equivalents was \$5.8 billion and \$1.8 billion at September 30, 2010, and December 31, 2009, respectively.

The following table presents gross gains and losses realized upon the sales of available-for-sale securities and other-than-temporary impairment.

(<i>\$ in millions</i>)	Three months ended		Nine months ended	
	September 30, 2010	2009	September 30, 2010	2009
Gross realized gains	\$ 102	\$ 112	\$ 381	\$ 247
Gross realized losses	(2)	(28)	(25)	(86)
Other-than-temporary impairment			(1)	(47)
Net realized gains	\$ 100	\$ 84	\$ 355	\$ 114

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

Edgar Filing: Ally Financial Inc. - Form 10-Q

<i>(\$ in millions)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Taxable interest	\$ 83	\$ 36	\$ 256	\$ 129
Taxable dividends	5	3	13	6
Interest and dividends exempt from U.S. federal income tax		10	10	27
Total interest and dividends	\$ 88	\$ 49	\$ 279	\$ 162

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

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, 2010, we do 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, 2010, 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, 2010.

	September 30, 2010				December 31, 2009			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
<i>(\$ in millions)</i>								
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 7	\$	\$	\$	\$ 1,430	\$ (6)	\$	\$
States and political subdivisions					82	(2)	8	(2)
Foreign government securities	58	(2)			536	(8)		
Mortgage-backed securities	876	(5)	1		811	(14)	6	(5)
Asset-backed securities	2		2		202	(1)	22	(1)
Corporate debt securities	176	(2)			47	(1)	120	(8)
Other					7			
Total temporarily impaired debt securities	1,119	(9)	3		3,115	(32)	156	(16)
Temporarily impaired equity securities	575	(64)	19	(2)	115	(5)	52	(3)
Total temporarily impaired available-for-sale securities	\$ 1,694	\$ (73)	\$ 22	\$ (2)	\$ 3,230	\$ (37)	\$ 208	\$ (19)

We employ a systematic methodology that considers available evidence in evaluating potential other-than-temporary impairment of our investments classified as available-for-sale. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value, the financial health of and business outlook for the issuer, changes to the rating of the security by a rating agency, the performance of the underlying assets for interests in securitized assets, whether we intend to sell the investment, and whether it is more likely than not we will be required to sell the debt security before recovery of its amortized cost basis.

7. Loans Held-for-sale, Net

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

	September 30, 2010			December 31, 2009		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<i>(\$ in millions)</i>						

Edgar Filing: Ally Financial Inc. - Form 10-Q

Consumer						
Automobile	\$ 930	\$ 119	\$ 1,049	\$ 9,417	\$ 184	\$ 9,601
1st Mortgage	11,135	143	11,278	9,269	530	9,799
Home equity	938		938	1,068		1,068
Total consumer (a)	13,003	262	13,265	19,754	714	20,468
Commercial						
Commercial and industrial						
Other					157	157
Total loans held-for-sale (b)	\$ 13,003	\$ 262	\$ 13,265	\$ 19,754	\$ 871	\$ 20,625

- (a) Fair value option-elected domestic residential mortgages were \$7.0 billion and \$5.5 billion at September 30, 2010, and December 31, 2009, respectively. Refer to Note 19 for additional information related to these government- and agency-eligible loans.
- (b) Totals are net of unamortized premiums and discounts and deferred fees and costs of \$148 million and \$318 million at September 30, 2010, and December 31, 2009, respectively.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****8. Finance Receivables and Loans, Net**

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

(\$ in millions)	September 30, 2010			December 31, 2009		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer						
Automobile	\$ 29,888	\$ 16,206	\$ 46,094	\$ 12,514	\$ 17,731	\$ 30,245
1st Mortgage	8,653	911	9,564	7,960	405	8,365
Home equity	4,527		4,527	4,238	1	4,239
Total consumer (a)	43,068	17,117	60,185	24,712	18,137	42,849
Commercial						
Commercial and industrial						
Automobile	23,576	7,529	31,105	19,601	7,035	26,636
Mortgage	2,038	75	2,113	1,572	96	1,668
Resort finance				843		843
Other	2,061	375	2,436	1,845	437	2,282
Commercial real estate						
Automobile	2,055	243	2,298	2,008	221	2,229
Mortgage	5	93	98	121	162	283
Total commercial	29,735	8,315	38,050	25,990	7,951	33,941
Notes receivable from General Motors		483	483	3	908	911
Total finance receivables and loans (b)	\$ 72,803	\$ 25,915	\$ 98,718	\$ 50,705	\$ 26,996	\$ 77,701

(a) Fair value option-elected residential mortgages were \$2.9 billion and \$1.3 billion at September 30, 2010, and December 31, 2009, respectively. Refer to Note 19 for additional information.

(b) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of \$2.8 billion and \$2.4 billion at September 30, 2010, and December 31, 2009, respectively.

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

Three months ended September 30, (\$ in millions)	2010			2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Allowance at July 1,	\$ 1,779	\$ 598	\$ 2,377	\$ 2,307	\$ 994	\$ 3,301
Provision for loan losses	86	(77)	9	537	143	680
Charge-offs						
Domestic	(248)	(98)	(346)	(682)	(244)	(926)
Foreign	(46)	(38)	(84)	(158)	(37)	(195)
Total charge-offs	(294)	(136)	(430)	(840)	(281)	(1,121)

Edgar Filing: Ally Financial Inc. - Form 10-Q

Recoveries						
Domestic	71	4	75	62	5	67
Foreign	19	2	21	20		20
Total recoveries	90	6	96	82	5	87
Net charge-offs						
Discontinued operations	(204)	(130)	(334)	(758)	(276)	(1,034)
Other	13	(10)	3	(2)	4	2
Allowance at September 30,	\$ 1,674	\$ 380	\$ 2,054	\$ 2,106	\$ 868	\$ 2,974

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

Nine months ended September 30, (<i>\$ in millions</i>)	2010			2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Allowance at January 1,	\$ 1,664	\$ 781	\$ 2,445	\$ 2,536	\$ 897	\$ 3,433
Provision for loan losses	431	(56)	375	1,832	711	2,543
Charge-offs						
Domestic	(795)	(250)	(1,045)	(1,922)	(716)	(2,638)
Foreign	(157)	(91)	(248)	(773)	(55)	(828)
Total charge-offs	(952)	(341)	(1,293)	(2,695)	(771)	(3,466)
Recoveries						
Domestic	257	12	269	172	11	183
Foreign	54	11	65	49	5	54
Total recoveries	311	23	334	221	16	237
Net charge-offs	(641)	(318)	(959)	(2,474)	(755)	(3,229)
Addition of allowance due to change in accounting principle (a)	222		222			
Discontinued operations	(1)	(3)	(4)	160	6	166
Other	(1)	(24)	(25)	52	9	61
Allowance at September 30,	\$ 1,674	\$ 380	\$ 2,054	\$ 2,106	\$ 868	\$ 2,974

(a) Effect of change in accounting principle due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

The following tables present information about our impaired finance receivables and loans. These tables exclude loans carried at fair value due to the fair value option elections.

(<i>\$ in millions</i>)	September 30, 2010			December 31, 2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Impaired finance receivables and loans						
With an allowance	\$ 430	\$ 636	\$ 1,066	\$ 252	\$ 1,760	\$ 2,012
Without an allowance	40	209	249	16	296	312
Total impaired loans	\$ 470	\$ 845	\$ 1,315	\$ 268	\$ 2,056	\$ 2,324
Allowance for impaired loans	\$ 105	\$ 247	\$ 352	\$ 80	\$ 488	\$ 568

Three months ended September 30, (<i>\$ in millions</i>)	2010			2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Average balance of impaired loans	\$ 435	\$ 1,318	\$ 1,753	\$ 769	\$ 2,891	\$ 3,660
Interest income recognized on impaired loans	\$ 6	\$ 8	\$ 14	\$ 6	\$ 27	\$ 33

Edgar Filing: Ally Financial Inc. - Form 10-Q

Nine months ended September 30, (<i>\$ in millions</i>)	2010			2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Average balance of impaired loans	\$ 363	\$ 1,633	\$ 1,996	\$ 592	\$ 3,009	\$ 3,601
Interest income recognized on impaired loans	\$ 13	\$ 12	\$ 25	\$ 22	\$ 47	\$ 69

At September 30, 2010, and December 31, 2009, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in troubled debt restructuring were \$16 million and \$12 million, respectively.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****9. Off-balance Sheet Securitizations**

We sell pools of automotive and residential mortgage loans and contracts via securitization transactions, which provide permanent funding and facilitates asset and liability management. In executing the securitization transactions, we typically sell the pools to wholly owned bankruptcy-remote special-purpose entities (SPEs), which then transfer the loans or contracts to a separate, transaction-specific SPE (a securitization trust) for cash, servicing rights, and in some transactions, other retained interests. The securitization trust issues interests and interests are sold to investors. These interests are collateralized by the secured loans or contracts and entitle the investors to specified cash flows generated from the securitized loans or contracts.

Our securitization transactions are accounted for under the requirements of ASC 810, *Consolidation*, and ASC 860, *Transfers and Servicing*. ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, amended ASC 810 and ASC 860. These standards became effective on January 1, 2010, and required the prospective consolidation of certain securitization assets and liabilities that were previously held off-balance sheet. We reflected our economic interest in these newly consolidated structures primarily through loans and secured debt rather than as interests held in off-balance sheet securitization trusts. Refer to Note 1 for additional information related to the adoption of ASU 2009-16 and ASU 2009-17. Refer to Note 20 for additional information related to the consolidation of certain securitization trusts due to the adoption of the new standards.

The following discussion and related information is only applicable to the transfers of finance receivables and loans that qualify for off-balance sheet treatment.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization vehicle. The securitization vehicle is generally allowed to acquire the loans or contracts being sold to it, to issue interests to investors to fund the acquisition of the loans or contracts, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the asset pool or debt securities. Additionally, the securitization vehicle is required to service the assets it holds and the debt or interest it issues. A servicer appointed within the underlying legal documents performs these functions. Servicing functions include, but are not limited to, collecting payments from borrowers, performing escrow functions, monitoring delinquencies, liquidating assets, investing funds until distribution, remitting payments to investors, and accounting for and reporting information to investors. As part of our off-balance sheet securitizations, we typically retain servicing responsibilities and, in some cases, other retained interests. Accordingly, our servicing responsibilities result in continued involvement in the form of servicing the underlying asset (primary servicing) and/or servicing the bonds resulting from the securitization transactions (master servicing) through servicing platforms. Certain securitizations require the servicer to advance scheduled principal and interest payments due on the pool regardless of whether they are received from borrowers. Accordingly, we are required to provide these servicing advances when applicable. Refer to Note 1 to the Condensed Financial Statements in our 2009 Annual Report on Form 10-K regarding the valuation of servicing rights. Subsequent to the adoption of ASU 2009-16 and ASU 2009-17 as of January 1, 2010, we generally do not hold significant or potentially significant retained interests in our securitization trusts that qualify for off-balance sheet treatment under ASU 2009-17.

Generally, the assets initially transferred into the securitization vehicle are the sole repayment source to the investors in the securitization trust and the various other parties that perform services for the transaction, such as the servicer or the trustee. In certain transactions, a liquidity provider or facility may exist to provide temporary liquidity to the structure. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. Bond insurance may also exist to cover certain shortfalls to certain investors. As noted above, in certain securitizations, the servicer is required to advance scheduled principal and interest payments due on the pool regardless of whether they were received from the borrowers. The servicer is allowed to reimburse itself for these servicing advances. Additionally, certain securitization transactions may allow for the acquisition of additional loans or contracts subsequent to the initial loan. Principal collections on other loans and/or the issuance of new interests, such as variable funding notes, generally fund these loans; we are often contractually required to invest in these new interests. Lastly, we provide certain guarantees as discussed in Note 30 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

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

The investors and/or securitization trusts have no recourse to us with the exception of market customary representation and warranty repurchase provisions and, in certain transactions, early payment default provisions. Representation and warranty repurchase provisions generally require us to repurchase loans or contracts to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Due to market conditions, early payment default provisions are included in certain securitization transactions that require us to repurchase loans or contracts if the borrower is delinquent in making certain specific payments subsequent to the sale.

We generally hold certain conditional repurchase options that allow us to repurchase assets from the securitization. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining assets or outstanding debt once the asset pool reaches a predefined level, which represents the point where servicing is burdensome rather than beneficial. Such an option is referred to as a clean-up call. As servicer, we are able to exercise this option at our discretion anytime after the asset pool size falls below the predefined level. The repurchase price for the loans or contracts is typically par plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase the 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 when it is in our best interest.

The loans or contracts sold into off-balance sheet securitization transactions are removed from our balance sheet. The assets obtained from the securitization are primarily reported as cash, servicing rights, or (if retained) retained interests. Typically, we conclude that the fee we are paid for servicing retail automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We elected fair value treatment for our existing mortgage servicing rights (MSRs) portfolio. Liabilities incurred as part of the transaction, 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 or contracts, 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 the pretax gains and losses recognized on the types of loans or contracts sold into off-balance sheet securitization transactions.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Retail finance receivables	\$	\$	\$	\$
Automotive wholesale loans		8		110
Mortgage loans	(1)		3	(4)
Total pretax (loss) gain on off-balance sheet activities	\$ (1)	\$ 8	\$ 3	\$ 106

The following summarizes the type and amount of loans held by the securitization trusts in transactions that qualified for off-balance sheet treatment.

(\$ in billions)	September 30, 2010	December 31, 2009
Retail finance receivables	\$	\$ 7.5
Automotive wholesale loans		
Mortgage loans (a)	72.8	99.6

Edgar Filing: Ally Financial Inc. - Form 10-Q

Total off-balance sheet activities	\$	72.8	\$	107.1
------------------------------------	----	-------------	----	-------

(a) Excludes \$148 million and \$237 million of delinquent loans held by securitization trusts at September 30, 2010, and December 31, 2009, respectively, that we have the option to repurchase as they are included in consumer finance receivables and loans and mortgage loans held-for-sale.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****10. Investment in Operating Leases, Net**

Investments in operating leases were as follows.

<i>(\$ in millions)</i>	September 30, 2010	December 31, 2009
Vehicles and other equipment, after impairment	\$ 15,483	\$ 23,919
Accumulated depreciation	(5,270)	(7,924)
Investment in operating leases, net	\$ 10,213	\$ 15,995

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.

<i>(\$ in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Depreciation expense on operating lease assets (excluding remarketing gains)	\$ 618	\$ 1,056	\$ 2,183	\$ 3,325
Gross remarketing gains	(164)	(162)	(547)	(318)
Depreciation expense on operating lease assets	\$ 454	\$ 894	\$ 1,636	\$ 3,007

11. Mortgage Servicing Rights

The following tables summarize activity related to MSR's carried at fair value. Sufficient market inputs exist to determine the fair value of our recognized servicing assets and servicing liabilities.

Three months ended September 30, <i>(\$ in millions)</i>	2010	2009
Estimated fair value at July 1,	\$ 2,983	\$ 3,509
Additions recognized on sale of mortgage loans	260	206
Additions from purchases of servicing assets	24	6
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(278)	(216)
Other changes in fair value (a)	(244)	(278)
Other changes that affect the balance	1	16
Estimated fair value at September 30,	\$ 2,746	\$ 3,243

(a)

Edgar Filing: Ally Financial Inc. - Form 10-Q

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.

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

Nine months ended September 30, (<i>\$ in millions</i>)	2010	2009
Estimated fair value at January 1,	\$ 3,554	\$ 2,848
Additions recognized on sale of mortgage loans	628	579
Additions from purchases of servicing assets	45	12
Subtractions from sales of servicing assets		(19)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(772)	779
Other changes in fair value (a)	(694)	(970)
Decrease due to change in accounting principle (b)	(19)	
Other changes that affect the balance	4	14
Estimated fair value at September 30,	\$ 2,746	\$ 3,243

(a) 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.

(b) The effect of change in accounting principle was due to the adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation models include all changes due to 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.

We use the following key assumptions to value our MSR.

September 30,	2010	2009
Range of prepayment speeds	8.0 44.2%	0.7 49.4%
Range of discount rates	2.2 25.6%	3.0 130.0%

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, which could reduce the value of the MSR. We economically hedge the income statement impact of these risks with both derivative and nonderivative financial instruments. These instruments include interest rate swaps, caps and floors, options to purchase these items, futures and forward contracts, and/or purchasing or selling U.S. Treasury and principal-only securities. Refer to Note 16 for additional information regarding derivative instruments. The net fair value of derivative financial instruments used to mitigate these risks amounted to \$817 million and \$675 million at September 30, 2010 and 2009, respectively. The changes in fair value of the derivative financial instruments amounted to a gain of \$1.3 billion and a loss of \$519 million for the nine months ended September 30, 2010 and 2009, respectively, and were included in servicing asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Income.

The components of mortgage servicing fees were as follows.

(<i>\$ in millions</i>)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Contractual servicing fees, net of guarantee fees and including subservicing	\$ 270	\$ 267	\$ 793	\$ 820
Late fees	17	18	56	63

Edgar Filing: Ally Financial Inc. - Form 10-Q

Ancillary fees	56	38	146	112
Total	\$ 343	\$ 323	\$ 995	\$ 995

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 government-sponsored entities. At September 30, 2010, our Mortgage operations were in compliance with the servicer-rating requirements of the master agreements.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****12. Other Assets**

The components of other assets were as follows.

<i>(\$ in millions)</i>	September 30, 2010	December 31, 2009
Property and equipment at cost	\$ 1,305	\$ 1,416
Accumulated depreciation	(943)	(1,080)
Net property and equipment	362	336
Fair value of derivative contracts in receivable position	5,940	2,654
Restricted cash collections for securitization trusts (a)	2,879	3,654
Restricted cash and cash equivalents	1,955	1,590
Servicer advances	1,954	2,180
Collateral placed with counterparties	1,606	1,760
Cash reserve deposits held-for-securitization trusts (b)	1,245	1,594
Other accounts receivable	809	573
Debt issuance costs	755	829
Prepaid expenses and deposits	661	749
Interests retained in financial asset sales	533	471
Goodwill	525	526
Investment in used vehicles held-for-sale	400	522
Accrued interest and rent receivable	301	326
Real estate and other investments	270	340
Repossessed and foreclosed assets	263	336
Other assets	1,359	1,447
Total other assets	\$ 21,817	\$ 19,887

(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.

13. Deposit Liabilities

Deposit liabilities consisted of the following.

<i>(\$ in millions)</i>	September 30, 2010	December 31, 2009
Domestic deposits		
Noninterest-bearing deposits	\$ 2,539	\$ 1,755
NOW and money market checking accounts	7,965	7,213
Certificates of deposit	22,516	19,861
Dealer deposits	1,421	1,041
Total domestic deposits	34,441	29,870

Edgar Filing: Ally Financial Inc. - Form 10-Q

Foreign deposits		
Noninterest-bearing deposits	8	
NOW and money market checking accounts	776	165
Certificates of deposit	2,456	1,555
Dealer deposits	276	166
Total foreign deposits	3,516	1,886
Total deposit liabilities	\$ 37,957	\$ 31,756

Noninterest-bearing deposits primarily represent third-party escrows associated with our Mortgage operations' 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, 2010, and December 31, 2009, certificates of deposit included \$6.3 billion and \$4.8 billion, respectively, of domestic certificates of deposit in denominations of \$100 thousand or more.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****14. Debt**

The following table presents the composition of our debt portfolio at September 30, 2010, and December 31, 2009.

(\$ in millions)	September 30, 2010			December 31, 2009		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Short-term debt						
Commercial paper	\$	\$	\$	\$ 8	\$	\$ 8
Demand notes	1,799		1,799	1,311		1,311
Bank loans and overdrafts	1,772		1,772	1,598		1,598
Repurchase agreements and other	281	2,062	2,343	348	7,027	7,375
Total short-term debt	3,852	2,062	5,914	3,265	7,027	10,292
Long-term debt						
Due within one year	8,410	13,463	21,873	7,429	18,898	26,327
Due after one year (a)	37,943	26,780	64,723	38,331	22,834	61,165
Total long-term debt (b)	46,353	40,243	86,596	45,760	41,732	87,492
Fair value adjustment (c)	951		951	529		529
Total debt	\$ 51,156	\$ 42,305	\$ 93,461	\$ 49,554	\$ 48,759	\$ 98,313

(a) Includes \$7.4 billion at both September 30, 2010, and December 31, 2009, guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP).

(b) Includes fair value option-elected secured long-term debt of \$2.8 billion and \$1.3 billion at September 30, 2010, and December 31, 2009, respectively. Refer to Note 19 for additional information.

(c) Amount represents the hedge accounting adjustment on fixed rate debt.

The following table presents the scheduled maturity of long-term debt at September 30, 2010, assuming that no early redemptions 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)	Unsecured (a)	Secured (b)	Total
2010	\$ 593	\$ 4,231	\$ 4,824
2011	9,538	11,974	21,512
2012	12,567	7,273	19,840
2013	1,884	7,750	9,634
2014	1,975	2,617	4,592
2015 and thereafter	23,230	2,930	26,160
Original issue discount (c)	(3,434)		(3,434)
Troubled debt restructuring concession (d)		372	372
Long-term debt	46,353	37,147	83,500
Collateralized borrowings in securitization trusts (e)		3,096	3,096

Edgar Filing: Ally Financial Inc. - Form 10-Q

Total long-term debt	\$	46,353	\$	40,243	\$ 86,596
----------------------	----	--------	----	--------	-----------

- (a) Scheduled maturities of ResCap unsecured long-term debt are as follows: \$0 million in 2010; \$208 million in 2011; \$358 million in 2012; \$529 million in 2013; \$102 million in 2014; and \$114 million in 2015 and thereafter. These maturities exclude ResCap debt held by Ally.
- (b) Scheduled maturities of ResCap secured long-term debt are as follows: \$0 million in 2010; \$508 million in 2011; \$0 million in 2012; \$707 million in 2013; \$707 million in 2014; and \$897 million in 2015 and thereafter. These maturities exclude ResCap debt held by Ally and collateralized borrowings in securitization trusts.
- (c) Scheduled remaining amortization of original issue discount is as follows: \$302 million in 2010; \$968 million in 2011; \$343 million in 2012; \$257 million in 2013; \$184 million in 2014; and \$1,380 million in 2015 and thereafter.
- (d) 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 new secured notes. This concession is being amortized over the life of the new notes through a reduction to interest expense using an effective yield methodology. Scheduled remaining amortization of the troubled debt restructuring concession is as follows: \$25 million in 2010; \$101 million in 2011; \$105 million in 2012; \$82 million in 2013; \$46 million in 2014; and \$13 million in 2015 and thereafter.
- (e) Collateralized borrowings in securitization trusts represent mortgage-lending-related debt that is repaid using cash flows from the underlying collateral of mortgage loans.

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

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

(\$ in millions)	September 30, 2010		December 31, 2009	
	Assets	Related secured debt	Assets	Related secured debt
Loans held-for-sale	\$ 1,331	\$ 1,398	\$ 1,420	\$ 454
Consumer and commercial mortgage finance receivables and loans, net	3,389	3,415	1,946	1,673
Consumer automotive finance receivables and loans, net (a)	23,644	19,939	19,203	13,597
Commercial automotive finance receivables and loans, net (b)	14,190	7,577	16,352	8,565
Investment securities	40		63	
Investment in operating leases, net	4,255	2,918	13,323	9,208
Mortgage servicing rights	911	462	1,459	811
Other assets	2,423	2,336	3,009	4,318
Ally Bank (c)	17,972	4,260	24,276	10,133
Total	\$ 68,155	\$ 42,305	\$ 81,051	\$ 48,759

- (a) Includes \$9.8 billion of assets and \$8.3 billion of secured debt related to Ally Bank at September 30, 2010, and \$1.9 billion of assets and \$1.6 billion of secured debt related to Ally Bank at December 31, 2009.
- (b) Includes \$7.3 billion of assets and \$3.2 billion of secured debt related to Ally Bank at September 30, 2010. There were no commercial automotive finance receivables and loans, net, or secured debt related to Ally Bank at December 31, 2009.
- (c) 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 \$13.2 billion and \$22.4 billion at September 30, 2010, and December 31, 2009, respectively. These assets were composed of consumer and commercial mortgage finance receivables and loans, net, consumer automotive finance receivables and loans, net, and investment securities. Under the agreement with the FHLB, Ally Bank also had unrestricted assets pledged as collateral under a blanket lien totaling \$4.8 billion and \$1.9 billion at September 30, 2010, and December 31, 2009, respectively. These assets were primarily composed of mortgage servicing rights, consumer automotive finance receivables and loans, net, and other assets. Availability under 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.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****Funding Facilities**

The following table highlights credit capacity under our secured and unsecured funding facilities at September 30, 2010, and December 31, 2009. 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 in the outstanding column in the table below are generally included on our Condensed Consolidated Balance Sheet.

(\$ in billions)	Total capacity		Unused capacity (a)		Outstanding	
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
Committed unsecured						
Automotive Finance operations	\$ 0.8	\$ 0.8	\$ 0.1	\$ 0.1	\$ 0.7	\$ 0.7
Committed secured						
Automotive Finance operations and other (b)	29.8	36.0	16.5	12.2	13.3	23.8
Mortgage operations	1.7	2.1	0.6	0.4	1.1	1.7
Total committed facilities	32.3	38.9	17.2	12.7	15.1	26.2
Uncommitted unsecured						
Automotive Finance operations	1.7	0.9	0.5	0.1	1.2	0.8
Uncommitted secured						
Automotive Finance operations						
Federal Reserve funding programs	2.5	5.3	2.5	1.9		3.4
Other facilities	0.4	0.4		0.1	0.4	0.3
Mortgage operations						
Federal Reserve funding programs	1.1	2.5	1.1	0.9		1.6
Other facilities (c)	5.1	6.1	0.8	1.0	4.3	5.1
Total uncommitted facilities	10.8	15.2	4.9	4.0	5.9	11.2
Total facilities	43.1	54.1	22.1	16.7	21.0	37.4
Whole-loan forward flow agreements (d)	0.9	9.4	0.9	9.4		
Total	\$ 44.0	\$ 63.5	\$ 23.0	\$ 26.1	\$ 21.0	\$ 37.4

(a) Funding for committed secured facilities is generally available on request as excess collateral resides in certain facilities or to the extent incremental collateral is available and contributed to the facilities.

(b) At September 30, 2010, there was \$22.3 billion of total capacity for North American Automotive Finance operations and \$7.5 billion of total capacity for International Automotive Finance operations.

(c) Includes \$5.1 billion and \$5.9 billion of capacity from FHLB advances with \$4.3 billion and \$5.1 billion outstanding at September 30, 2010, and December 31, 2009, respectively.

(d) Represents commitments of financial institutions to purchase U.S. automotive retail assets.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****15. Regulatory Capital**

As a bank holding company, we and our wholly owned banking subsidiary, Ally Bank, are subject to risk-based capital and leverage guidelines by federal 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 our consolidated financial statements. 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.

The risk-based capital ratio is 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 perceived as representing 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 preferred stock (including fixed-rate cumulative preferred stock issued and sold to the Treasury) less goodwill and other adjustments. Tier 2 capital generally consists of 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 capital 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 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 is considered 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% unless subject to regulatory directive to maintain higher capital levels and for insured depository institutions, a leverage ratio that equals or exceeds 5%.

In conjunction with the conclusion of the Supervisory Capital Assessment Program (S-CAP), the banking regulators developed an additional 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 FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA) that supersedes the original agreement dated July 21, 2008. The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank's leverage ratio is at least 15%, which is consistent with capital requirements currently applicable to Ally Bank and thus does not impose any additional capital requirements. For this purpose, the leverage ratio is determined in accordance with the FDIC's regulations related to capital maintenance. The effective date of the CLMA is August 24, 2010.

Additionally, on May 21, 2009, the Federal Reserve Board (FRB) granted Ally Bank an expanded exemption from Section 23A of the Federal Reserve Act. The exemption enables Ally Bank to make certain extensions of credit for the purchase of GM vehicles or vehicles floorplanned by Ally subject to certain limitations. The exemption requires Ally to maintain a Total risk-based capital ratio of 15% and Ally Bank to maintain a Tier 1 leverage ratio of 15%.

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision. Currently all U.S. banks are subject to the Basel I capital rules. The Basel Committee issued Basel II Capital Rules, and the U.S. regulators issued companion rules applicable to certain U.S.-domiciled institutions. Ally qualifies as a mandatory bank holding company that must comply with the U.S. Basel II rules. The Basel Committee on Banking Supervision issued additional guidance regarding market risk capital rules and Basel II capital rules for securitizations. U.S. banking regulators have not yet issued any companion guidance. We

Edgar Filing: Ally Financial Inc. - Form 10-Q

continue to monitor developments with respect to Basel II requirements and are working to ensure successful execution within the required time.

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

On January 28, 2010, the federal banking agencies published a final rule amending the risk-based capital guidelines associated with the implementation of ASU 2009-16 and ASU 2009-17. The rule permits banking organizations to phase in the effects of the consolidation on risk-weighted assets and also makes provisions associated with the impact of allowance for loan and lease losses effects on Tier 2 capital during 2010. Ally elected to utilize this optional phase-in approach. Refer to Note 1 for additional information related to the adoption of ASU 2009-16 and ASU 2009-17.

The following table summarizes our capital ratios.

(\$ in millions)	September 30, 2010		December 31, 2009		Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	\$ 22,569	15.36%	\$ 22,398	14.15%	4.00%	6.00%
Ally Bank	9,342	18.53%	7,768	20.85%	(a)	6.00%
Total (to risk-weighted assets)						
Ally Financial Inc.					15.00%	
	\$ 24,705	16.81%	\$ 24,623	15.55%	(b)	10.00%
Ally Bank	9,974	19.78%	8,237	22.10%	(a)	10.00%
Tier 1 leverage (to adjusted average assets) (c)						
Ally Financial Inc.	\$ 22,569	12.46%	\$ 22,398	12.70%	3.00	4.00% (d)
Ally Bank	9,342	15.87%	7,768	15.42%	15.00%	(a) 5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	\$ 7,848	5.34%	\$ 7,678	4.85%	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

- (a) Ally Bank, in accordance with the FRB exemption from Section 23A, is required to maintain a Tier 1 leverage ratio of 15%. Ally Bank is also required to maintain well-capitalized levels for Tier 1 risk-based capital and total risk-based ratios pursuant to the CLMA.
- (b) Ally, in accordance with the FRB exemption from Section 23A, is required to maintain a Total risk-based capital ratio of 15%.
- (c) 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. We are in the process of modifying information systems to address the daily average requirement.
- (d) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

At September 30, 2010, Ally and Ally Bank met all required minimum ratios and exceeded well-capitalized requirements under the federal regulatory agencies' definitions as summarized in the table above.

16. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign currency swaps, futures, forwards, options, swaptions, and credit default swaps 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, loans held-for-sale, MSRs, debt, and deposits. In addition, we use foreign exchange contracts to mitigate foreign currency risk associated with foreign-currency-denominated debt and foreign exchange transactions. 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 of our Automotive Finance and Mortgage operations.

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. We apply hedge accounting for certain derivative instruments used to hedge fixed-rate debt. We monitor our mix of fixed- and variable-rate debt in relationship 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.

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

We enter into economic hedges to mitigate exposure for the following categories.

MSRs and retained interests Our MSRs 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 MSRs and retained interests. To mitigate the impact of this risk, we maintain a portfolio of financial instruments, primarily derivatives that increase in value when interest rates decline. The primary objective is to minimize the overall risk of loss in the value of MSRs due to the change in fair value caused by interest rate changes and their interrelated impact to prepayments.

We use a multitude of derivative instruments to manage the interest rate risk related to MSRs and retained interests. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, MBS futures, U.S. Treasury futures, interest rate swaps, interest rate floors, and interest rate caps. While we do not utilize nonderivative instruments (e.g., U.S. Treasuries) to hedge this portfolio, we utilized them in the past and may utilize them again in the future. We monitor and actively manage our risk on a daily basis, and therefore trading volume can be large.

Mortgage loan commitments and mortgage and automotive 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 loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale go up and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage and automotive 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 this objective for mortgage loans and IRLCs is forward sales of mortgage-backed securities, primarily the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (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 interest rate swaps, options, and futures, to hedge automotive loans held-for-sale and certain portions of the mortgage portfolio. 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. We do not apply hedge accounting to our derivative portfolio held to economically hedge the IRLCs and mortgage and automotive loans held-for-sale.

Debt As part of our previous on-balance sheet securitizations and/or secured aggregation facilities, certain interest rate swaps or interest rate caps were included within consolidated variable interest entities; these swaps or caps were generally required to meet certain rating agency requirements or were required by the facility lender or provider. The interest rate swaps and/or caps are generally entered into when the debt is issued; accordingly, current trading activity on this particular derivative portfolio is minimal. Additionally, effective January 1, 2010, the derivatives that were hedging off-balance sheet securitization activities are now hedging these securitizations as on-balance sheet securitization activities. We consolidated the off-balance sheet securitizations on January 1, 2010, due to accounting principle changes associated with ASU 2009-16 and ASU 2009-17. Refer to Note 1 for additional information related to the recent adoption.

With the exception of a portion of our fixed-rate debt, we do not apply hedge accounting to our derivative portfolio held to economically hedge 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.

Edgar Filing: Ally Financial Inc. - Form 10-Q

Other We enter into futures, options, swaptions, and credit default swaps to economically hedge our net fixed versus variable interest rate exposure.

Foreign Currency Risk

We enter into derivative financial instrument contracts to hedge exposure to variability in cash flows related to foreign currency financial instruments. Currency swaps and forwards are used to hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Similar to our interest rate hedges, 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. Our net investment hedges are recorded at fair value with changes recorded to other comprehensive income (loss) with the exception of the spot to forward difference that is recorded in current period earnings. 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 hedged foreign currency transactions.

With limited exceptions, we elected not 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

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 further 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 their total 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.

We placed collateral totaling \$1.6 billion and \$1.8 billion at September 30, 2010, and December 31, 2009, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling \$1.6 billion and \$432 million at September 30, 2010, and December 31, 2009, respectively. The collateral placed and 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 consolidated balance sheet unless certain conditions are met.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**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.

(\$ in millions)	September 30, 2010			December 31, 2009		
	Fair value of derivative contracts in		Notional amount	Fair value of derivative contracts in		Notional amount
receivable position (a)	liability position (b)	receivable position (a)		liability position (b)		
Qualifying accounting hedges						
Interest rate risk						
Fair value accounting hedges	\$ 688	\$	\$ 10,863	\$ 478	\$ 47	\$ 16,938
Foreign exchange risk						
Net investment accounting hedges	4	69	4,744	10	41	2,414
Cash flow accounting hedges	6	89	323		112	334
Total foreign exchange risk	10	158	5,067	10	153	2,748
Total qualifying accounting hedges	698	158	15,930	488	200	19,686
Economic hedges						
Interest rate risk						
MSRs and retained interests	4,604	3,787	334,652	805	816	153,818
Mortgage loan commitments and mortgage and automotive loans held-for-sale	225	151	54,005	225	132	45,470
Off-balance sheet securitization activities				139		4,440
Debt	202	174	25,643	392	548	53,501
Other	12	134	16,091	50	24	12,629
Total interest rate risk	5,043	4,246	430,391	1,611	1,520	269,858
Foreign exchange risk	198	252	12,249	555	175	22,927
Credit risk	1	1	55			
Total economic hedges	5,242	4,499	442,695	2,166	1,695	292,785
Total derivatives	\$ 5,940	\$ 4,657	\$ 458,625	\$ 2,654	\$ 1,895	\$ 312,471

(a) Reported as other assets on the Condensed Consolidated Balance Sheet. Includes accrued interest of \$123 million and \$314 million at September 30, 2010, and December 31, 2009, respectively.

(b) Reported as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. Includes accrued interest of \$20 million and \$91 million at September 30, 2010, and December 31, 2009, respectively.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Statement of Income Presentation

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,	
	2010	2009	2010	2009
Qualifying accounting hedges				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Interest on long-term debt	\$ 230	\$ 142	\$ 627	\$ (242)
(Loss) gain recognized in earnings on hedged items				
Interest rate contracts				
Interest on long-term debt	(215)	(136)	(562)	192
Total qualifying accounting hedges	15	6	65	(50)
Economic hedges				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Servicing asset valuation and hedge activities, net	495	384	1,285	(519)
Loss on mortgage and automotive loans, net	(169)	(201)	(570)	(167)
Other gain (loss) on investments, net		2		(5)
Other income, net of losses	(49)	(6)	(99)	17
Other operating expenses	(2)	(25)	(8)	(39)
Total interest rate contracts	275	154	608	(713)
Foreign exchange contracts (a)				
Interest on long-term debt	4	8	(10)	(3)
Other income, net of losses	(8)	(3)	(16)	(198)
Total foreign exchange contracts	(4)	5	(26)	(201)
Gain (loss) recognized in earnings on derivatives	\$ 286	\$ 165	\$ 647	\$ (964)

(a) Amount represents the difference between the changes in the fair values of the currency hedge, net of the revaluation of the related foreign denominated debt or foreign denominated receivable.

17. Income Taxes

Effective June 30, 2009, we converted (the Conversion) from a limited liability company (LLC) treated as a pass-through entity for U.S. federal income tax purposes to a corporation. As a result of the Conversion, we became subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Due to this change in tax status as of June 30, 2009, an additional net deferred tax liability of \$1.2 billion

Edgar Filing: Ally Financial Inc. - Form 10-Q

was established through income tax expense from continuing operations.

Prior to the Conversion, certain U.S. entities were pass-through entities for U.S. federal income tax purposes. U.S. federal, state, and local income taxes were generally not provided for these entities as they were not taxable entities except in a few local jurisdictions that tax LLCs or partnerships. LLC members were required to report their share of our taxable income on their respective income tax returns. In addition, our banking, insurance, and foreign subsidiaries generally were and continue to be corporations that are subject to U.S. and foreign income taxes and are required to provide for these taxes. The Conversion did not change the tax status of these subsidiaries.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

We recognized total income tax expense from continuing operations of \$48 million and \$117 million during the three months and nine months ended September 30, 2010, respectively, and income tax benefit from continuing operations of \$291 million and income tax expense of \$681 million during the three months and nine months ended September 30, 2009, respectively. 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.

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%	35.0%
Change in tax rate resulting from				
Effect of valuation allowance change	(16.2)	(25.4)	(25.7)	(7.4)
Foreign capital loss	(7.6)		3.0	
Prior year adjustments	3.3		1.2	
Taxes on unremitted earnings of subsidiaries	3.1		1.4	
State and local income taxes, net of federal income tax benefit	(0.8)	12.5	0.2	4.2
Foreign income tax rate differential	(0.3)	1.4	(0.8)	0.6
Tax-exempt income	(0.3)	0.1	(0.5)	0.2
Change in tax status		6.0		(37.3)
LLC results not subject to federal or state income taxes				(17.4)
Other, net	(1.5)	4.2	(1.5)	0.3
Effective tax rate	14.7%	33.8%	12.3%	(21.8)%

The valuation allowances that were previously established against our domestic net deferred tax assets and certain international net deferred tax assets increased by approximately \$126 million during the three months ended September 30, 2010. The increase in the valuation allowance was due to additional realized capital losses within Mortgage operations related to the disposition of its European operations.

During the nine months ended September 30, 2010, the valuation allowance decreased \$575 million primarily as a result of profitability of our operations in various tax jurisdictions in combination with an election made by the company to treat the U.S. consumer property and casualty insurance business disposition as an asset sale versus a stock sale for U.S. tax purposes. This election resulted in a smaller ordinary loss than the capital loss that was previously recorded.

The amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate was approximately \$137 million at September 30, 2010, compared to \$157 million at December 31, 2009. We do not expect a significant change in the unrecognized tax benefits within the next 12 months.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****18. Related Party Transactions**

Related party activities represent transactions with GM, FIM Holdings LLC (FIM Holdings), and affiliated companies. GM and FIM Holdings have both a direct and indirect ownership interest in Ally.

Balance Sheet

A summary of the balance sheet effect of transactions with GM, FIM Holdings, and affiliated companies follows.

<i>(\$ in millions)</i>	September 30, 2010	December 31, 2009
Assets		
Available-for-sale investment in asset-backed security GM (a)	\$ 1	\$ 20
Secured		
Finance receivables and loans, net		
Wholesale automotive financing GM (b)	291	280
Term loans to dealers GM (b)	59	71
Lending receivables affiliates of FIM Holdings	53	54
Investment in operating leases, net GM (c)	67	69
Notes receivable from GM (d)	460	884
Other assets		
Other GM	29	102
Total secured	959	1,460
Unsecured		
Notes receivable from GM (d)	23	27
Other assets		
Subvention receivables (rate and residual support) GM	151	165
Lease pull-ahead receivable GM	2	21
Other GM	19	26
Total unsecured	195	239
Liabilities		
Unsecured debt		
Notes payable to GM	\$ 26	\$ 154
Accrued expenses and other liabilities		
Wholesale payable GM	214	161
Other payables GM	62	18

- (a) In November 2006, Ally retained an investment in a note secured by operating lease assets transferred to GM. As part of the transfer, Ally provided a note to a trust, a wholly owned subsidiary of GM. The note was classified in investment securities on the Condensed Consolidated Balance Sheet.
- (b) Represents wholesale financing and term loans to certain dealerships wholly owned by GM or in which GM has an interest. The loans are generally secured by the underlying vehicles or assets of the dealerships.
- (c) Primarily represents buildings classified as operating lease assets that are leased to GM-affiliated entities. These leases are secured by the underlying assets.
- (d) Represents wholesale financing we provide to GM for vehicles, parts, and accessories in which GM retains title while consigned to us or dealers primarily in Italy and Germany in 2010 and in the United Kingdom and Italy in 2009. The financing to GM remains outstanding until the title is transferred to Ally or the dealers. The amount of financing provided to GM under this arrangement varies based on inventory levels. These loans are secured by the underlying vehicles or other assets (except loans relating to parts and accessories in Italy).

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****Statement of Income**

A summary of the statement of income effect of transactions with GM, FIM Holdings, and affiliated companies follows.

(\$ in millions)	Three months ended		Nine months ended	
	September 30, 2010	2009	September 30, 2010	2009
Net financing revenue				
GM and affiliates lease residual value support North American operations (a)	\$ (58)	\$ 26	\$ (57)	\$ 164
GM and affiliates rate support North American operations	172	194	498	577
Wholesale subvention and service fees from GM	49	45	134	159
Interest earned on wholesale automotive financing	2	2	7	12
Interest earned on term loans to dealers		1	1	2
Interest expense on loans with GM		(13)	(4)	(37)
Interest on notes receivable from GM and affiliates	2	15	7	49
Interest on wholesale settlements (b)	38	40	128	95
Interest income on loans with FIM Holdings affiliates, net	1	1	2	2
Consumer lease payments from GM (c)	(1)	1	13	60
Other revenue				
Insurance premiums earned from GM	38	52	118	135
Service fees on transactions with GM	2	1	6	5
Revenues from GM-leased properties, net	2	2	6	7
Other (d)	1		1	(4)
Servicing fees				
U.S. automotive operating leases (e)		4	2	22
Expense				
Off-lease vehicle selling expense reimbursement (f)	(3)	(6)	(11)	(21)
Payments to GM for services, rent, and marketing expenses (g)	31	37	97	88

- (a) Represents total amount of residual support and risk sharing (incurred) earned under the residual support and risk-sharing programs.
- (b) The settlement terms related to the wholesale financing of certain GM products are at shipment date. To the extent that wholesale settlements with GM are made before the expiration of transit, we receive interest from GM.
- (c) GM sponsors lease pull-ahead programs whereby consumers are encouraged to terminate lease contracts early in conjunction with the acquisition of a new GM vehicle with the customer's remaining payment obligation waived. For certain programs, GM compensates us for the waived payments adjusted based on remarketing results associated with the underlying vehicle.
- (d) Includes income or (expense) related to derivative transactions that we enter into with GM as counterparty.
- (e) Represents servicing income related to automotive leases distributed as a dividend to GM on November 22, 2006.
- (f) An agreement with GM provides for the reimbursement of certain selling expenses incurred by us on off-lease vehicles sold by GM at auction.
- (g) We reimburse GM for certain services provided to us. This amount includes rental payments for our primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan, and exclusivity and royalty fees.

Table of Contents**ALLY FINANCIAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****Statement of Changes in Equity**

A summary of the changes to the statement of changes in equity related to transactions with GM, FIM Holdings, and affiliated companies follows.

<i>(\$ in millions)</i>	Nine months ended September 30, 2010	Year ended December 31, 2009
Equity		
Capital contributions received (a)	\$	\$ 1,280
Dividends to shareholders/members (b)	8	393
Preferred stock dividends GM	77	128
Other (c)	(74)	

- (a) On January 16, 2009, we completed a \$1.25 billion rights offering pursuant to which we issued additional common membership interests to FIM Holdings and a subsidiary of GM.
- (b) Pursuant to an operating agreement, certain of our shareholders were permitted distributions to pay the taxes they incurred from ownership of their Ally interests prior to our conversion from a tax partnership to a corporation. In March 2009, we executed a transaction that had 2008 tax-reporting implications for our shareholders. In accordance with the operating agreement, the approvals of both our Ally Board of Directors and the Treasury were obtained in advance for the payment of tax distributions to our shareholders. In 2010, the amount distributed to GM was \$8 million. This represented an accrual for GM tax settlements and refunds received related to tax periods prior to the November 30, 2006, sale by GM of a 51% interest in Ally (Sale Transactions). Amounts distributed to GM and FIM Holdings were \$220 million and \$173 million, respectively, for the year ended December 31, 2009. The 2009 amount includes \$55 million of remittances to GM for tax settlements and refunds received related to tax periods prior to the Sale Transactions as required by the terms of the Purchase and Sale Agreement between GM and FIM Holdings.
- (c) 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.

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.

We provide vehicle financing through purchases of retail automotive and lease contracts with retail customers of primarily GM dealers. We also finance the purchase of new and used vehicles by GM dealers through wholesale financing, extend other financing to GM dealers, provide fleet financing for GM dealers to buy vehicles they rent or lease to others, provide wholesale vehicle inventory insurance to GM dealers, provide automotive extended service contracts through GM dealers, and offer other services to GM dealers. As a result, GM's level of automobile production and sales directly impacts our financing and leasing volume; the premium revenue for wholesale vehicle inventory insurance; the volume of automotive extended service contracts; and the profitability and financial condition of the GM dealers to whom we provide wholesale financing, term loans, and fleet financing. In addition, the quality of GM vehicles affects our obligations under automotive extended service contracts relating to such vehicles. Further, the resale value of GM vehicles, which may be impacted by various factors relating to GM's business such as brand image, the number of new GM vehicles produced, the number of used vehicles remarketed, or reduction in core brands, affects the remarketing proceeds we receive upon the sale of repossessed vehicles and off-lease vehicles at lease termination.

At September 30, 2010, we had an estimated \$959 million in secured credit exposure, which included primarily wholesale vehicle financing to GM-owned dealerships, notes receivable from GM, and vehicles leased directly to GM. We further had approximately \$809 million in unsecured credit exposure, which included estimates of payments from GM related to residual support and risk-sharing agreements. Under the terms of

Edgar Filing: Ally Financial Inc. - Form 10-Q

certain agreements between Ally and GM, Ally has the right to offset certain of its exposures to GM against amounts Ally owes to GM.

Retail and Lease Programs

GM may elect to sponsor incentive programs (on both retail contracts and operating leases) by supporting financing rates below the standard market rates at which we purchase retail contracts and leases. These marketing incentives are also referred to as rate support or subvention. When GM utilizes these marketing incentives, they pay us the present value of the difference between the customer rate and our standard rate at contract inception, which we defer and recognize as a yield adjustment over the life of the contract.

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

GM may also sponsor residual support programs as a way to lower customer monthly payments. Under residual support programs, the customer's contractual residual value is adjusted above our standard residual values. In addition, under risk-sharing programs and eligible contracts, GM shares equally in residual losses at the time of the vehicle's disposal to the extent that remarketing proceeds are below our standard residual values (limited to a floor).

For contracts where we are entitled to receive residual support, GM pays the present value of the expected residual support owed to us at contract origination as opposed to after contract termination at the time of sale of the related vehicle. The residual support amount GM ultimately owes us is finalized as the leases actually terminate. Under the terms of the residual support program, in cases where the estimate was incorrect, GM may be obligated to pay us, or we may be obligated to reimburse GM.

Based on the September 30, 2010, outstanding North American operating lease and retail balloon portfolios, the additional maximum contractual amount that could be paid by GM under the residual support programs was approximately \$627 million and would be paid only in the unlikely event that the proceeds from the entire portfolio of lease assets were lower than the contractual residual value and no higher than our standard residual rates.

Based on the September 30, 2010, outstanding North American operating lease portfolio, the maximum contractual amount that could be paid under the risk-sharing arrangements was approximately \$844 million and would be paid only in the unlikely event that the proceeds from all outstanding lease vehicles were lower than our standard residual rates and no higher than the contractual risk-sharing floor.

Retail and lease contracts acquired by us that included rate and residual subvention from GM, payable directly or indirectly to GM dealers as a percentage of total new GM retail and lease contracts acquired, were as follows.

Nine months ended September 30,	2010	2009
GM and affiliates subvented contracts acquired		
North American operations	53%	68%
International operations (a)	41%	60%

(a) Represents subvention for continuing operations only.

Other

We entered into various services agreements with GM that are designed to document and maintain our current and historical relationship. We are required to pay GM fees in connection with certain of these agreements related to our financing of GM consumers and dealers in certain parts of the world.

GM also provides payment guarantees on certain commercial assets we have outstanding with certain third-party customers. At September 30, 2010, and December 31, 2009, commercial obligations guaranteed by GM were \$59 million and \$68 million, respectively. Additionally, GM is bound by repurchase obligations to repurchase new vehicle inventory under certain circumstances, such as dealer franchise termination.

19. Fair Value**Fair Value Measurements**

Edgar Filing: Ally Financial Inc. - Form 10-Q

For purposes of this disclosure, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. 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). 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.

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

A three-level hierarchy is to be used when measuring and disclosing fair value. 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.

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.

Trading securities Trading securities are recorded at fair value. Our portfolio includes U.S. Treasury, asset-backed, and mortgage-backed securities (including senior and subordinated interests) and may be investment grade, noninvestment grade, or unrated securities. We base our valuation of trading securities on observable market prices when available; however, observable market prices may not be available for a significant portion of these assets due to current illiquidity in the markets. When observable market prices are not available, valuations are primarily based on internally developed discounted cash flow models (an income approach) that use assumptions consistent with current market conditions. The valuation considers recent market transactions, experience with similar securities, 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). We classified 64% and 94% of the trading securities reported at fair value as Level 3 at September 30, 2010, and December 31, 2009, respectively. Trading securities account for 1% and 2% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively.

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). We classified less than 1% of the available-for-sale securities reported at fair value as Level 3 at both September 30, 2010, and December 31, 2009. Available-for-sale securities account for 35% and 37% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively.

Edgar Filing: Ally Financial Inc. - Form 10-Q

Loans held-for-sale, net We elected the fair value option for certain mortgage loans held-for-sale. The loans elected were government- and agency-eligible residential loans funded after July 31, 2009. These loans are presented in the table of recurring fair value measurements. Refer to the section in this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information. The loans not elected under the fair value option are accounted for at the lower of cost or fair value. We classified 15% and 49% of the loans held-for-sale reported at fair value as Level 3 at September 30, 2010, and December 31, 2009, respectively. Loans held-for-sale account for 24% and 32% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively.

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

Approximately 3% and 4% of the total loans held-for-sale carried at fair value are automotive loans at September 30, 2010, and December 31, 2009, respectively. These automotive loans are presented in the nonrecurring fair value measurement table. We based our valuation of automotive loans held-for-sale on internally developed discounted cash flow models (an income approach) and classified all these loans as Level 3. These valuation models estimate the exit price we expect to receive in the loan's principal market, which depending on characteristics of the loans may be the whole-loan market or the securitization market. Although we utilize and give priority to market observable inputs, such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, these internal inputs require the use of judgment and can have a significant impact on the determination of the loan's value. Accordingly, we classified all automotive loans held-for-sale as Level 3.

Approximately 97% and 96% of the total loans held-for-sale carried at fair value are mortgage loans at September 30, 2010, and December 31, 2009, respectively. We originate or purchase mortgage loans in the United States that we intend to sell to Fannie Mae, Freddie Mac, and the Government National Mortgage Association (Ginnie Mae) (collectively, the Government Sponsored Enterprises (GSEs)). Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as agency 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 mortgage loans carried at fair value due to fair value option elections. The election includes all domestic loans that can be sold to the Agencies, which are valued predominantly using published forward agency prices. Level 2 also includes all nonagency domestic loans or international 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. As these valuations are derived from quoted market prices, we classify these valuations as Level 2 in the fair value disclosures. At September 30, 2010, and December 31, 2009, 87% and 52%, respectively, of the mortgage loans held-for-sale currently being carried at fair value were classified as Level 2.

Level 3 mortgage loans This includes all mortgage loans measured at fair value on a nonrecurring basis. The fair value of these loans was determined using internally developed valuation models because observable market prices were not available. These valuation models estimate the exit price we expect to receive in the loan's principal market, which depending on characteristics of the loan may be the whole-loan or securitization market. Although we utilize and give priority to market observable inputs such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, the generation of these internal inputs requires the use of judgment and can have a significant impact on the determination of the loan's fair value. Accordingly, we classify these valuations as Level 3 in the fair value disclosures. At September 30, 2010, and December 31, 2009, 13% and 48%, respectively, of the mortgage loans held-for-sale currently being carried at fair value are classified as Level 3.

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 on the Condensed Consolidated Balance Sheet. 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 or an in-use premise. Values of loans held on an in-use basis may differ considerably from loans held-for-sale that can be sold in the whole-loan market. This difference arises

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

primarily due to the liquidity of the asset- and mortgage-backed securitization market and is evident in the fact that spreads applied to lower rated asset- and mortgage-backed securities are considerably wider than spreads observed on senior bonds classes and in the whole-loan market. 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, 2010, and December 31, 2009. Consumer finance receivables and loans accounted for 9% and 4% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively. 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. At both September 30, 2010 and December 31, 2009, 6% and 94% of the impaired commercial finance receivables and loans were classified as Level 2 and Level 3, respectively. Commercial finance receivables and loans accounted for 2% and 4% of all assets reported at fair value at September 30, 2010, and December 31, 2009.

MSRs We typically retain MSRs when we sell assets into the secondary market. MSRs 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 of MSRs. 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. All MSRs were classified as Level 3 at September 30, 2010, and December 31, 2009. MSRs accounted for 8% and 10% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively.

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 inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate. 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). All interests retained were classified as Level 3 at September 30, 2010, and December 31, 2009. Interests retained in financial assets sales accounted for 2% and less than 1% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively.

Derivative instruments We manage risk through our balance of loan production and servicing businesses while using financial instruments (including derivatives) to manage risk related specifically to the value of loans held-for-sale, loans held-for-investment, MSRs, foreign currency debt; and we enter into interest rate swaps to facilitate transactions where the underlying receivables are sold to a nonconsolidated entity. Refer to Note 16 for additional information regarding the gains and losses recognized on the fair value of economic hedges within the Condensed Consolidated Statement of Income.

We enter into a variety of derivative financial instruments as part of our hedging strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, or traded within highly active dealer markets, such as agency to-be-announced securities. To determine the fair value of these instruments, we utilize the exchange price or dealer market price for the particular derivative contract; therefore, we classified these contracts as Level 1. We

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

classified less than 1% of the derivative assets and 3% of the derivative liabilities reported at fair value as Level 1 at September 30, 2010. We classified 7% of the derivative assets and 9% of the derivative liabilities reported at fair value as Level 1 at December 31, 2009.

We also execute over-the-counter derivative contracts, such as interest rate swaps, floors, caps, corridors, and swaptions. 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 classified 96% of the derivative assets and 94% of the derivative liabilities reported at fair value as Level 2 at September 30, 2010. We classified 77% of the derivative assets and 73% of the derivative liabilities reported at fair value as Level 2 at December 31, 2009.

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. Accordingly, we classified these derivative contracts as Level 3. We classified 4% of the derivative assets and 3% of the derivative liabilities reported at fair value as Level 3 at September 30, 2010. We classified 16% of the derivative assets and 18% of the derivative liabilities reported at fair value as Level 3 at December 31, 2009.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA). The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty. Additionally, 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.

Derivative assets accounted for 17% and 8% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively. Derivative liabilities accounted for 63% and 59% of all liabilities reported at fair value at September 30, 2010, and December 31, 2009, respectively.

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. We classified 100% and 96% of securities posted as collateral as Level 1 at September 30, 2010, and December 31, 2009, respectively. Securities posted as collateral accounted for 2% of all assets reported at fair value at both September 30, 2010, and December 31, 2009.

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. At September 30, 2010, we classified 36% and 64% of foreclosed and reposessed properties carried at fair value as Level 2 and Level 3, respectively. At December 31, 2009, we classified 51% and 49% of foreclosed and reposessed properties carried at fair value as

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Level 2 and Level 3, respectively. Repossessed and foreclosed assets account for less than 1% of all assets reported at fair value at both September 30, 2010, and December 31, 2009.

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. On-balance sheet securitization debt accounted for 37% and 41% of all liabilities reported at fair value at September 30, 2010, and December 31, 2009, respectively. 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, 2010 (<i>\$ in millions</i>)	Recurring fair value measurements			Total
	Level 1	Level 2	Level 3	
Assets				
Trading securities				
U.S. Treasury and federal agencies	\$ 75	\$	\$	\$ 75
Mortgage-backed				
Residential		1	45	46
Asset-backed			90	90
Total trading securities	75	1	135	211
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	2,359	310		2,669
States and political subdivisions		4		4
Foreign government	928	371		1,299
Mortgage-backed				
Residential		3,729	2	3,731
Asset-backed		1,695	1	1,696
Corporate debt securities		1,396		1,396
Total debt securities	3,287	7,505	3	10,795
Equity securities	1,130			1,130
Total available-for-sale securities	4,417	7,505	3	11,925
Mortgage loans held-for-sale, net (a)		6,978		6,978
Consumer mortgage finance receivables and loans, net (a)			2,948	2,948
Mortgage servicing rights			2,746	2,746
Other assets				
Interests retained in financial asset sales			533	533
Fair value of derivative contracts in receivable position				
Interest rate contracts	24	5,454	252	5,730
Foreign currency contracts		210		210
Total fair value of derivative contracts in receivable position	24	5,664	252	5,940
Collateral placed with counterparties (b)	740			740
Total assets	\$ 5,256	\$ 20,148	\$ 6,617	\$ 32,021

Edgar Filing: Ally Financial Inc. - Form 10-Q

Liabilities

Secured debt				
On-balance sheet securitization debt (a)	\$	\$	\$ (2,793)	\$ (2,793)
Accrued expenses and other liabilities				
Fair value of derivative contracts in liability position				
Interest rate contracts	(158)	(3,958)	(130)	(4,246)
Foreign currency contracts		(411)		(411)
Total fair value of derivative contracts in liability position	(158)	(4,369)	(130)	(4,657)
Total liabilities	\$ (158)	\$ (4,369)	\$ (2,923)	\$ (7,450)

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

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

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

December 31, 2009 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading securities				
Mortgage-backed				
Residential	\$	\$ 44	\$ 99	\$ 143
Asset-backed			596	596
Total trading securities		44	695	739
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	1,989	1,521		3,510
States and political subdivisions		811		811
Foreign government	911	262		1,173
Mortgage-backed				
Residential		3,455	6	3,461
Asset-backed		985	20	1,005
Corporate debt securities	2	1,471		1,473
Other	47			47
Total debt securities	2,949	8,505	26	11,480
Equity securities	671	4		675
Total available-for-sale securities	3,620	8,509	26	12,155
Mortgage loans held-for-sale, net (a)		5,545		5,545
Consumer mortgage finance receivables and loans, net (a)			1,303	1,303
Mortgage servicing rights			3,554	3,554
Other assets				
Cash reserve deposits held-for-securitization trusts			31	31
Interests retained in financial asset sales			471	471
Fair value of derivative contracts in receivable position	184	2,035	435	2,654
Collateral placed with counterparties (b)	808	37		845
Total assets	\$ 4,612	\$ 16,170	\$ 6,515	\$ 27,297
Liabilities				
Secured debt				
On-balance sheet securitization debt (a)	\$	\$	\$ (1,294)	\$ (1,294)
Accrued expenses and other liabilities				
Fair value of derivative contracts in liability position	(172)	(1,391)	(332)	(1,895)
Total liabilities	\$ (172)	\$ (1,391)	\$ (1,626)	\$ (3,189)

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

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

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

The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. Transfers into or out of any hierarchy levels, if any (including any transfers shown in the following tables), are recognized at the end of the reporting period in which the transfer occurred. 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				Fair value at September 30, 2010	Net unrealized gains (losses) included in earnings still held at September 30, 2010
	Fair value at July 1, 2010	included in earnings	included in other comprehensive income	Purchases, issuances, and settlements, net		
<i>(\$ in millions)</i>						
Assets						
Trading securities						
Mortgage-backed						
Residential	\$ 46	\$ 3 (a)	\$	\$ (4)	\$ 45	\$ 7 (a)
Asset-backed	87		1	2	90	
Total trading securities	133	3	1	(2)	135	7
Investment securities						
Available-for-sale securities						
Debt securities						
Mortgage-backed						
Residential	2				2	
Asset-backed	8			(7)	1	
Total debt securities	10			(7)	3	
Consumer mortgage finance receivables and loans, net (b)						
	2,345	1,126 (b)		(523)	2,948	937 (b)
Mortgage servicing rights	2,983	(521) (c)		284	2,746	(521) (c)
Other assets						
Cash reserve deposits						
held-for-securitization trusts	2			(2)		
Interests retained in financial asset sales	465	33 (d)		35	533	9 (d)
Fair value of derivative contracts in receivable (liability) position, net						
Interest rate contracts, net	105	212 (e)		(195)	122	247 (e)
Total assets	\$ 6,043	\$ 853	\$ 1	\$ (410)	\$ 6,487	\$ 679
Liabilities						
Secured debt						
On-balance sheet securitization debt (b)	\$ (2,178)	\$ (1,118) (b)	\$	\$ 503	\$ (2,793)	\$ (1,035) (b)
Total liabilities	\$ (2,178)	\$ (1,118)	\$	\$ 503	\$ (2,793)	\$ (1,035)

Edgar Filing: Ally Financial Inc. - Form 10-Q

- (a) The fair value adjustment was reported as other gain on investments, net, and the related interest was reported as interest and dividends on investment securities in the Condensed Consolidated Statement of Income.
- (b) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Condensed Consolidated Statement of Income.
- (c) Fair value adjustment was reported as servicing asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Income.
- (d) Reported as other income, net of losses, in the Condensed Consolidated Statement of Income.
- (e) Refer to Note 16 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.

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

	Fair value at July 1, 2009	included in earnings	Level 3 recurring fair value measurements			Fair value at September 30, 2009	Net unrealized gains (losses) included in earnings still held at September 30, 2009
			Net realized/unrealized gains (losses)	included in other comprehensive income	Purchases, issuances, and settlements, net		
<i>(\$ in millions)</i>							
Assets							
Trading securities							
Mortgage-backed							
Residential	\$ 163	\$	\$	\$ (18)	\$	\$ 145	\$ 18 (a)
Asset-backed	571	126 (a)	5			702	(83) (a)
Total trading securities	734	126	5	(18)		847	(65)
Investment securities							
Available-for-sale securities							
Debt securities							
Mortgage-backed							
Residential							
Asset-backed	4		1		1	6	
Equity securities	413	4 (a)	2	(384)		35	
Total available-for-sale securities	417	4	3	(384)	1	41	
Consumer mortgage finance							
receivables and loans, net (b)	1,588	339 (b)		(384)		1,543	240 (b)
Mortgage servicing rights	3,509	(494) (c)		228		3,243	(494) (c)
Other assets							
Cash reserve deposits							
held-for-securitization trusts	33	6 (d)				39	(97) (d)
Interests retained in financial asset sales	662	21 (d)	(1)	(73)		609	(15) (d)
Fair value of derivative contracts in receivable (liability) position, net	225	(3)(e)		29		251	109 (e)
Total assets	\$ 7,168	\$ (1)	\$ 7	\$ (602)	\$ 1	\$ 6,573	\$ (322)
Liabilities							
Secured debt							
On-balance sheet securitization debt (b)	\$ (1,574)	\$ (330) (b)	\$	\$ 375	\$	\$ (1,529)	\$ (207) (b)
Total liabilities	\$ (1,574)	\$ (330)	\$	\$ 375	\$	\$ (1,529)	\$ (207)

(a) The fair value adjustment was reported as other gain on investments, net, and the related interest was reported as interest and dividends on investment securities in the Condensed Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections. Refer to next section of this note t